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TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1935

No. 640

J. EDWARD JONES, PETITIONER,

vs.

SECURITIES AND EXCHANGE COMMISSION.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR CERTIORARI FILED DECEMBER 17, 1935.

CERTIORARI GRANTED FEBRUARY 3, 1936.

SUPREME COURT OF THE UNITED STATES

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[fol. 1]

IN UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

SECURITIES AND EXCHANGE COMMISSION, Applicant-Appellee,

against

J. EDWARD JONES, Respondent-Appellant

STATEMENT UNDER RULE 13, PARAGRAPH 4, OF THE RULES OF THE UNITED STATES CIRCUIT COURT OF APPEALS, FOR THE SECOND CIRCUIT

This proceeding was commenced on July 3rd, 1935. On that day the Securities and Exchange Commission filed a written application upon which an order was made directing the respondent to appear and show cause why he should not be required to attend before the Commission and testify.

On July 6, the respondent was personally served with a certified copy of said order to show cause and written application.

The respondent entered his appearance and served and filed his answer on July 23rd, 1935.

On the same day the Court, Caffey, D. J., presiding, heard oral argument and directed both sides to submit briefs.

[fol. 2] On August 12, 1935, the Court rendered its opinion in writing and on August 23rd. 1935, the order appealed from granting the application and directing the respondent to attend and testify before the Commission was made and entered.

The appeal herein was taken on August 23rd, 1935.

The names of the original parties are set forth above and there has been no change of parties since the commencement of this proceeding. The applicant-appellee appears by John J. Burns, its general counsel in the City of Washington, District of Columbia, and the respondent-appellant appears by Harry O. Glasser of Enid, Oklahoma, J. N. Saye of Longview, Texas, and H. I. Fischbach of New York, N. Y.

[fol. 3] IN UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

No. M17-191

SECURITIES AND EXCHANGE COMMISSION, Applicant,

v.

J. EDWARD JONES, Respondent

APPLICATION FOR AN ORDER REQUIRING APPEARANCE BEFORE WILLIAM GREEN, AN OFFICER OF THE SECURITIES AND EXCHANGE COMMISSION, THERE TO GIVE EVIDENCE IN THE HEARING AND EXAMINATION ENTITLED, "IN THE MATTER OF THE REGISTRATION STATEMENT OF J. EDWARD JONES. FILE 2-1408-1"

The Securities and Exchange Commission, hereinafter sometimes referred to as the Commission, pursuant to the authority conferred upon it by Section 22 (b) of the Securities Act of 1933 (48 Stat. 74; 15 U. S. C. A. Sec. 77a—77aa) as amended June 6, 1934 by 48 Stat. 905, respectfully applies to this Honorable Court for an order requiring J. Edward Jones, an individual, having his principal place of business at 342 Madison Avenue, City, County and State of New York, and within the jurisdiction of the United States Court of the Southern District of New York, to obey the subpoena of the Commission issued June 18, 1935, re-
[fol. 4] quiring J. Edward Jones to appear and testify at an examination and hearing ordered to be held at the offices of the Commission, in Washington, D. C., on June 27, 1935. The said subpoena was issued for the purpose of securing evidence at an examination and hearing ordered by the Commission pursuant to Section 8 of the Securities Act of 1933, as amended, in order to determine whether a stop order should issue suspending the effectiveness of the registration statement filed with the Commission by the said respondent on or about May 4, 1935, because of the inclusion therein of untrue statements of material facts and the omission of material facts required to be stated therein, or necessary to make the statements therein not misleading. As grounds for this application the Commission respectfully shows to this Court:

I

The Securities and Exchange Commission is an administrative tribunal, organized and existing under and by virtue of Section 4 of the Securities Exchange Act of 1934 (48 Stat. 885).

II

The respondent, J. Edward Jones, resides in Scarsdale, County of Westchester, State of New York, and has his principal place of business at 342 Madison Avenue, City, County and State of New York. Both of said addresses are within the jurisdiction of the United States Court for the Southern District of New York.

III

On or about August 26, 1933, the Federal Trade Commission, pursuant to the authority therein conferred upon it [fol. 5] by Section 7 of the Securities Act of 1933, adopted by its order a form of registration statement known as "Form C-1". On or about September 4, 1934, pursuant to Section 210 of Title II of the Securities Exchange Act of 1934, all the powers, duties and functions of the Federal Trade Commission, under the Securities Act of 1933, were transferred to the Securities and Exchange Commission, and the said order of the Federal Trade Commission adopting and authorizing the use of Form C-1 has not been superseded, revoked or repealed by the said Securities and Exchange Commission, and pursuant to Section 210 of Title II of the Securities Exchange Act of 1934 is now in effect.

IV

On or about May 4, 1935, the respondent, J. Edward Jones filed with the Securities and Exchange Commission a registration statement on Form "C-1" pursuant to Section 6 of the Securities Act of 1933, as amended, which registration statement purported to contain the necessary statements and documents required to be set forth therein.

V

It appeared to the Commission that the said registration statement filed by the respondent included untrue statements of material facts and omitted statements of material

facts required to be stated therein or necessary to make the statement therein not misleading in the following particulars; to wit:

[fol. 6] 1. Item 13 of said registration statement, Form C-1, provides as follows:

Q. "Explain how and by whom the securities or other property composing the trust are purchased."

The response to said Item 13 made by the respondent upon the registration statement filed by him reads as follows:

A. "Property which will compose the trust is to be purchased by J. Edward Jones, 342 Madison Ave., New York. J. Edward Jones is also the Depositor and Sponsor."

The Commission alleges that the above response by this respondent is deficient in that it fails to state the manner in which the property composing the trust is to be purchased. The Commission has reason to believe that the services of agents are utilized in the purchase of said properties; that such agents are not petroleum engineers, geologists, or other experts; that said agents receive a fee for such services; and that J. Edward Jones relies upon the information of such agents.

2. Items 21 and 22 of said registration statement, Form C-1, together with responses respectively made thereto, are as follows:

Q. "If any periodic distributions have been made to certificate holders within the last 3 years prior to the date of this registration statement, show for each such distribution the dates, amounts, and sources thereof applicable in re-
[fol. 7] spect of each certificate."

A. "No distributions have been made and there are no certificate holders of this trust."

Q. "If any special distributions have been made to certificate holders within the last 3 years prior to the date of this statement, show for each such distribution the dates, amounts and sources thereof applicable in respect of each certificate."

A. "None have been made and there are no certificate holders."

The Commission alleges that the answers to these items contain untrue statements of material facts, and omit to state material facts required. The Commission has reason to believe that J. Edward Jones has sold other trust certificates and interim receipts; that he has made distribution from his personal funds to the holders of such interim receipts; and that distributions have been made to holders of such trust certificates from the funds of various trusts.

3. Items 23 and 24 of such registration statement, Form C-1, together with responses respectively made thereto, are as follows:

Q. "State the proposed dates, if any, upon which periodic distributions are to be made to the holders of certificates, by whom such distributions are to be made, in what manner, and from what funds."

A. "The dates of periodic distributions are not fixed; but it is the purpose and plan to make monthly periodic dis- [fol. 8] tributions where the net proceeds available for distribution warrant it. Distributions will be made from proceeds of the sale of oil from the royalties composing the corpus of the trust estate after deduction of expenses provided for in the Trust Agreement."

Q. "Explain the procedure in connection with the disposition and custody of the income of the trust from the time of its receipt until its distribution, and if any interest accrues thereon, explain the treatment thereof. If any person has the use of any undistributed income of the trust without interest for any period, state specifically the person and the circumstances."

A. "The income of the trust will be received monthly in the form of checks from the Oil Purchasing Companies purchasing the oil from the royalties comprising the corpus of the trust. This will be deposited to the account of the Trustee and distributed monthly, if conditions warrant their monthly distribution (See answer to 23). No interest will accrue and no person has the use of any undistributed income or moneys of the trust."

The Commission alleges that the answers to these items omit to state material facts required to be stated. The Commission has reason to believe that part of the income from the trust property will be paid to the respondent; that

the respondent intends to make distributions from such funds and from his personal funds to holders of interim receipts, which receipts he will distribute as part of his plan [fol. 9] of distribution of these trust certificates.

4. Item 36 of said registration statement, Form C-1, provides as follows:

Q. "State the method by which the price of the certificates to be sold is calculated, giving a full statement of all of the component parts thereof including the so-called 'service' or 'loading' charge."

The response to said Item 36 made by the respondent upon the registration statements reads as follows:

A. "The price of the certificates to be sold is calculated on the declared value of the property conveyed to the Trustee, the stated aggregate value of the certificates to be issued equalling the declared value of the property conveyed to the Trustee. No 'service' or 'loading' charge is provided for; but properties are selected by the Depositor, who is also the Sponsor, and paid for by him and conveyed to the Trustee at a value declared by the Depositor, who is also the Sponsor."

The Commission alleges that the above response by this respondent omits to state material facts. The Commission has reason to believe that, as part of a predetermined procedure, J. Edward Jones so declares the value on the royalties conveyed to the trust that he receives a "service" or "loading" charge well in excess of 100%; that such charge includes profit to respondent and charges incident to the creation and distribution of the trust certificates; and that [fol. 10] the imposition of such "service" or "loading" charge is part of the plan of creation and distribution of these securities.

5. Item 39 of said registration statement, Form C-1, provides as follows:

Q. "Name the person or classes of persons participating, directly or indirectly, in the 'service' or 'loading' charge, and state the percentage of such charge received by each."

The response to said Item 39, made by the respondent upon registration statement filed by him, reads as follows:

A. "No 'service' or 'loading' charge is provided for. J. Edward Jones, the depositor and Sponsor will participate in and will be entitled to any profit arising between the purchase price of the properties by him and the declared value at which the properties are conveyed to the Trustee."

The Commission alleges that the above response by this respondent contains untrue statements of material facts, and omits to state material facts required to be stated, and material facts necessary to be stated in order that the statements made therein may not be misleading. The Commission has reason to believe that, as part of a pre-determined plan, a "service" or "loading" charge is imposed upon the royalties deposited in this trust; that, from such "service" or "loading" charge commissions are paid to the agents who assist in the acquisition of the royalties, and to the dealers and agents who assist in the distribution of [fol. 11] the trust certificates; that a substantial profit accrues to respondent from such "loading" or "service" charge; and that the declaration of value above referred to is made to cover the above mentioned charges and profit to the respondent.

6. Item 40 of said registration statement, Form C-1, provides as follows:

Q. "If any component part of the offering price consists of brokerage, commissions, odd-lot premiums or other items of expenditure (other than the service or loading charge), state whether the items named are actually paid by the depositor or sponsor, and, if not, explain fully."

The response to said Item 40, made by the respondent upon the registration statement, reads as follows:

A. "No brokerage commissions or odd lot premiums or other items of expenditure are provided for."

The Commission alleges the above response by the respondent contains untrue statements of material facts and omits to state material facts required to be stated, and ma-

terial facts necessary in order that the statement made may not be misleading. The Commission has reason to believe that brokerage, or similar commissions, will be paid by the respondent in the acquisition of the properties to be deposited in this trust, and that such charges or commissions are considered in determining the amount of the "load" or charge to be imposed on the royalties deposited in the trust.

[fol. 12] 7. Item 45 of said registration statement provides as follows:

Q. "Describe briefly the general plan for the distribution of the certificates for which this registration statement is filed."

In response to said item 45, the respondent has stated, in the registration statement filed by him, as follows:

A. "As and when the properties are conveyed to the Trustee, as provided in the Trust Agreement, the Trustee delivers to the Trustor, J. Edward Jones, who is also the Depositor and Sponsor, certificates equal in value to the declared value of the properties conveyed, or delivers such certificates to a person designated by him. The certificates are sold by or through J. Edward Jones to the investing public at the stated value of $100 per each certificate, the cost of the sale and the commissions therefor being paid wholly by J. Edward Jones, Trustor."

The Commission alleges that the above response by this respondent contains untrue statements of material facts and omits to state material facts required to be stated, and material facts necessary in order that the statements made therein may not be misleading. The Commission has reason to believe that, as part of a predetermined plan of distribution of these certificates, J. Edward Jones will issue interim receipts for all funds received in the solicitation for the sales of these trust certificates; that such funds will then be utilized by respondent to purchase the oil royalties [fol. 13] to be deposited in this trust; that the solicitation of the sales of these trust certificates will be made through dealers or agents who will receive a substantial commission for such services; and that the cost of such services is included in the "service" or "loading" charge imposed upon the royalties deposited in this trust.

8. Item 48 of said registration statement, Form C-1, provides as follows:

Q. "Give details of every denial or restriction by any State regulatory body of the right to sell certificates issued under this trust."

The response to said Item 48 was made by the respondent and reads as follows:

A. "None."

The Commission alleges that the above response by this respondent contains untrue statements of material facts. The Commission has reason to believe that said respondent has been denied the right to sell any securities by the States of Pennsylvania and Connecticut, and that restrictions have been placed upon all sales of these securities in said States.

9. Item 51 of said registration statement provides as follows:

Q. "If more than 25 percent of the total assets of the trust, or of any unit thereof, consists of securities issued by one issuer and/or its subsidiary and/or affiliate, submit all of the data relative to such issuer, subsidiary, and/or affiliate, as would be required by Form A-1, as a separate ex-
[fol. 14] hibit, unless such data were originally filed with the Commission as of the time of the issuance of such securities."

The response to said Item 51, made by the respondent, is as follows:

A. "None of the assets is to consist of securities issued by the issuer or its subsidiary or affiliate."

The Commission alleges that the above response by this respondent contains untrue statements of material facts and omits to state material facts required to be stated. The Commission has reason to believe that the respondent will be the issuer of all securities to be deposited in this trust; and that information such as would be required by the Commission's Form A-1 has not been filed as a separate exhibit, as required by this item; and that such data had not been otherwise filed with the Commission.

10. Item 53 of said registration statement, Form C-1, provides as follows:

Q. "State the initial fees paid or to be paid to the trustee and the course of their payment."

The response to said Item 53 made by the respondent reads as follows:

A. "None."

The Commission alleges that the above response by this respondent contains untrue statements of material facts in that it appears that said respondent pays an initial fee to the trustee.

[fol. 15] 11. Item 61 of said registration statement, Form C-1, provided as follows:

Q. "Furnish information as to the ability of the trustee to perform the duties imposed upon him under the trust."

The response to Item 61 made by the respondent is as follows:

A. "American Charter Company is a corporation having perpetual existence and is organized under the laws of the State of Delaware and doing business therein."

The Commission alleges that above response by this respondent omits to state material facts required to be stated and material facts necessary to be stated in order that the statements made therein may not be misleading The Commission has reason to believe that the American Charter Company is financially irresponsible; that said American Charter Company is a personal service corporation organized by an attorney in the State of Delaware for the purpose of forming corporations, and has acted as trustee only for this respondent; that the total assets of the aforementioned American Charter Company would not be sufficient to meet any liabilities which might arise in connection with the performance of the duties imposed upon it under the trust.

12. Item 71 of said registration statement, Form C-1, provides as follows:

Q. "Under which of the trust issues mentioned in 70 is the depositor still creating trust certificates?"

The response made by respondent to Item 71 is as follows:

[fol. 16] A. "No additional trust certificates are now being created in any of the trusts mentioned in 70. It is contemplated that additional Certificates will be issued under Series "L" upon the conveyance of additional property to the Trustee thereunder."

The Commission alleges that the above response by this respondent contains untrue statements of material facts. The Commission has reason to believe that additional certificates are being sold under certain of the series previously created by the respondent.

13. Exhibit E of the registration statement provides as follows:

"Copies of any contracts or class of contracts used or to be used between the sponsor or depositor and underwriter or dealers relating to the sale or distribution of the certificates for which this registration statement is filed."

No copies of any such contracts have been filed. The Commission alleges that the above response by this respondent omits to state material facts required to be stated. The Commission has reason to believe that contracts exist between the respondent and certain dealers or agents relating to the distribution of the certificates for which the registration statement was filed.

14. Exhibit H of said registration statement provides as follows:

"Copies of orders of all State regulatory bodies by which any certificates of the trust were or are denied or restricted in the right to be sold, mentioned in item 48."

[fol. 17] No exhibits were filed in answer to said Exhibit H. The Commission alleges that the above response by the respondent omits to state material facts required to be stated. The Commission has reason to believe that certain orders have been issued by State regulatory bodies by which the certificates of this trust were denied or restricted in the right to be sold.

15. Exhibit Q of said registration statement provides as follows:

"Submit balance sheets of the depositor and/or sponsor as of the last day of the fiscal year prior to the filing of the registration statement for which year a balance sheet has been prepared, and if such day is more than ninety days prior thereto, a balance sheet of a date within ninety days prior thereto. Such balance sheets shall be in a form substantially as follows: * * *"

No such balance sheet has been filed. The Commission alleges that the above response by this respondent omits to state material facts required to be stated, in that the Commission has reason to believe that the respondent has prepared a balance sheet; that he has records available for the preparation of the balance sheet required in the aforementioned exhibit; and that the filing of such balance sheet would disclose material facts pertinent to the distribution of the certificates sought to be registered.

On May 20, 1935, pursuant to the provisions of Section 8 of the Securities Act of 1933, the Commission directed that an examination and a hearing to be held at the offices of the [fol. 18] Commission, at Washington, District of Columbia, on June 6, 1935, in order to determine whether a stop order should issue suspending the effectiveness of the said registration statement.

VII

On May 23, 1935, the Commission sent to respondent, J. Edward Jones the following telegram:

"Day Letter Prepaid

May 23, 1935.

J. Edward Jones, Care Floyd Toomey, Care Alvord and Alvord, Munsey Building, Washington, D. C.:

Notice is hereby given that upon examination of the registration statement of J. Edward Jones filed May four nineteen hundred thirty-five file two dash one four naught eight it appears to the Securities and Exchange Commission that such statement includes untrue statements of material facts and omits to state material facts required to be stated therein and material facts necessary to make the statements

therein not misleading in items thirteen and twenty-one comma twentytwo comma twentythree comma twentyfour comma thirtysix comma thirtynine comma forty comma fortyfive comma fortyeight comma fiftyone comma fiftythree comma sixtyone comma seventyone comma exhibits E [fol. 19] comma H comma Q comma and the prospectus stop hearing in this matter will be held at the office of the Commission in Washington D C at ten AM Thursday June six nineteen hundred thirtyfive at which time and place registrant may appear and show cause why a stop order should not be issued suspending the effectiveness of such registration statement

Francis P. Brassor, Secretary Securities and Exchange Commission."

The said telegram was confirmed by letter transmitted through the mails on May 24, 1935.

VIII

On June 5, 1935, the Commission made the following order designating William Green, an officer of the Commission to take testimony and fixing a time and place for taking testimony and evidence in the matter of the registration statement of J. Edward Jones:

"UNITED STATES OF AMERICA:

BEFORE SECURITIES AND EXCHANGE COMMISSION

At a regular session of the Securities and Exchange Commission held at its office in the City of Washington, D. C. on the 5th day of June, A. D., 1935.

Commissioners: Joseph P. Kennedy, Chairman; George C. Mathews. James M. Landis. Robert E. Healy.

[fol. 20] In the matter of Registration Statement of J. EDWARD JONES. File No. 2-1408

Order Changing Designation of Officer for Taking Testimony

The Commission having heretofore, on May 25, 1935, designated John S. Hurley, an officer of the Commission, to take testimony at a hearing to be held in this matter on June

6, 1935, at 10 A. M., which hearing was on June 1, 1935, postponed to June 18, 1935.

It is ordered that such designation of the said John S. Hurley is hereby rescinded and

It is further ordered that William Green, an officer of the Commission, is hereby designated to administer oaths and affirmations, subpœna witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda or other records deemed relevant or material to the inquiry, and to perform all other duties in connection therewith authorized by law.

Upon the completion of testimony in this matter, the of-
[fol. 21] ficer is directed to close the hearing and make his report to the Commission.

By direction of the Commission.

Francis P. Brassor, Secretary."

IX

On June 1, 1935, at the request of the respondent herein the said hearing and examination was adjourned to June 18, 1935, at the same hour and place of hearing.

X

On June 18, 1935, the hearing and examination was duly held at the offices of the Commission, at Washington, District of Columbia, and on that date the said hearing and examination was adjourned to June 27, 1935, at 10 o'clock A. M. at the same place.

XI

Pursuant to the power conferred upon him by Sections 8(e) and 19(b) of the Securities Act of 1933, the said William Green on June 18, 1935, issued a subpœna directed to the respondent requiring him to appear before the said William Green at the offices of the Securities and Exchange Commission, in Washington, District of Columbia, on June 27, 1935, there to testify in the matter of the registration statement of J. Edward Jones. On June 20, 1935, the said subpœna was duly served on the respondent J. Edward Jones, in the City of New York, State of New York and within the jurisdiction of this Court. A photostatic copy
[fol. 22] thereof is hereto attached and marked Exhibit A.

XII

On June 27, 1935, the hearing and examination in the matter of the registration statement of J. Edward Jones was duly held at the offices of the Securities and Exchange Commission at Washington, District of Columbia, and the respondent by his counsel refused to obey the said subpœna which had been served upon him requiring him to appear before the said William Green to testify in the matter of the registration statement of J. Edward Jones, at the offices of the Securities and Exchange Commission, at Washington, District of Columbia; and at the said hearing and examination held on June 27, 1935, counsel for the respondent stated that the respondent would not appear and that the respondent had been duly served with said subpœna within the City, County and State of New York.

Wherefore, your petitioner prays that pursuant to the provisions of Section 22(b) of the Securities Act of 1933, as amended, an Order be issued by this Honorable Court to the respondent J. Edward Jones requiring the said respondent to appear before the Commission, or one of its examiners designated by it, on a date to be designated by this Court, at the offices of the Securities and Exchange Commission at Washington, District of Columbia, there to testify in the matter of the registration statement of J. Edward Jones and to give answer to any and all pertinent questions regarding the information and documents [fol. 23] heretofore filed by the respondent with the Commission upon the said registration statement, Form "C-1."

John J. Burns, General Counsel.

Duly sworn to by John J. Burns. Jurat omitted in printing.

[fol. 24] SUBPŒNA, ANNEXED TO APPLICATION

UNITED STATES OF AMERICA:

Securities and Exchange Commission

To J. Edward Jones, 342 Madison Avenue, New York, N. Y.:

You are hereby required to appear before William Green, an Officer of the Securities and Exchange Commission, at

Room 1102, Securities and Exchange Commission, 1778 Pennsylvania Avenue, in the City of Washington, D. C., on the 27th day of June, 1935, at ten o'clock A. M. of that day, to testify in the Matter of the hearing on the Registration Statement of J. Edward Jones.

Fail not at your peril.

In testimony whereof, the seal of the Securities and Exchange Commission is affixed hereto, and the undersigned, a member of said Securities and Exchange Commission, or an officer designated by it, has hereunto set his hand at Washington, D. C., this 18th day of June, 1935.

William Green, An officer of the Securities and Exchange Commission. (Seal.)

[fol. 25] IN UNITED STATES DISTRICT COURT

[Title omitted]

ORDER TO SHOW CAUSE

Upon the application of the Securities and Exchange Commission, filed herein on the 3rd day of July, 1935, duly verified by John J. Burns, General Counsel, on July 2, 1935, it is hereby

Ordered that the respondent show cause at a stated term of the United States District Court for the Southern District of New York, to be held in Room 235, Old Post Office Building, County of New York, State of New York, on the 9th day of July, 1935, at 10:30 o'clock in the forenoon of that day, or as soon thereafter as counsel can be heard, why an order should not issue requiring the said respondent J. Edward Jones, to appear before the Securities and Exchange Commission, or one of its examiners designated by it, on a date to be designated by this Court, at the offices of the Securities and Exchange Commission, at Washington, District of Columbia, there to testify in the matter of the registration statement of J. Edward Jones [fol. 26] and to give answer to any and all pertinent questions regarding the information and documents heretofore filed by the said respondent with the Commission upon the said registration statement, Form "C-1".

Further ordered, that service of a copy of this order to show cause, together with a copy of the application, be

made upon the respondent on or before the 6th day of July, 1935, and that such service be deemed sufficient service.

Henry W. Goddard, U. S. D. J.

July 3, 1935.

IN UNITED STATES DISTRICT COURT

[Title omitted]

ANSWER OF RESPONDENT J. EDWARD JONES

The respondent, J. Edward Jones, by his counsel, H. I. Fischbach of New York, New York, Harry O. Glasser of [fol. 27] Enid, Oklahoma, and J. N. Saye of Longview, Texas, appears herein specially and solely for the purpose of suggesting to the Court the matters hereinafter set forth and without admitting the jurisdiction of this Court denies generally each and every allegation contained in the petition of the above named applicant and makes answer thereto as follows:

First. Admits that the Securities and Exchange Commission, the applicant in this proceeding, is an administrative tribunal or purports such to be, and that it owes its existence, if any, to the provisions of Section 4, of the Securities Exchange Act of 1934, as alleged in paragraph designated "I", but respondent denies that the Securities and Exchange Commission is legally created or lawfully constituted.

Second. Admits each and every allegation contained in paragraph designated "II".

Third. Admits each and every allegation contained in paragraph designated "III", but denies the validity and legality of the acts and orders set forth therein on the grounds hereinafter more particularly set forth.

Fourth. Admits that on or about May 4, 1935, the respondent filed a Registration Statement on "Form C-1" and alleges that such Registration Statement contained all the necessary statements and documents required by law to be set forth therein and except as herein specifically ad-

mitted, denies each and every allegation contained in paragraph designated "IV".

Fifth. Denies each and every allegation contained in paragraph designated "V", and alleges without qualifica-
[fol. 28] tion that the answers given by respondent in said Registration Statement are true and complete on their face and further alleges that such answers include every material fact required to be stated in response to said questions.

Respondent further alleges that in addition there is stated every material fact necessary to make any statement contained in said Registration Statement not misleading and that neither by affirmative statement nor by the lack thereof is anything contained in said Registration Statement false, untrue or misleading.

Respondent further alle[illegible]at there is contained in Subdivisions 1 to 15 inclusi[illegible], various matter of an argumentative nature the materiality and relevancy of which does not appear and all of which is based on the Commission's allegation that it "has reason to believe" that various answers given in said Registration Statement omit to state material facts and respondent alleges that as to each of said matters no allegation in law or in fact is raised by said petition which should be controverted by respondent's pleading. That to assist the Court toward a better understanding of the matters in said Registration Statement deprecated by the Commission, respondent alleges:

As to the matters stated in Subdivision 1, respondent denies that the answer set forth in response to the quaere of "Form C-1" is deficient and alleges that said answer is complete and sufficient on its face.

Respondent further alleges that for many years he has had in his employ competent and experienced field agents whose activities have been broadly associated with the ex-
[fol. 29] amination of oil producing and oil bearing lands and the selection of oil royalties.

That such field agents keep respondent currently informed of such matters as concern respondent in the selection and purchase of oil royalty properties used by respondent for deposit in trusts created and marketed by him. Such field agents have always been reasonably compensated.

As to the matters stated in Subdivision 2, the answers of Respondent set forth in said Registration Statement are complete, true and accurate, and respondent denies that such answers are untrue or in any wise deficient.

The sale by respondent of certificates in other trusts has no relation whatever to the question in the Commission's form C-1 which presupposes the registrant to be offering an existing trust. Respondent reaffirms said answers in all their detail and alleges that there have been no distributions of certificates or of anything in the premises to anyone and that there are no parties in interest in the matter of said registration.

Respondent further alleges that there will be no parties in interest of said proposed trust by reason of the withdrawal thereof as hereinafter set forth.

As to the matters stated in Subdivision 3, although the answers appear on their face to be, and are in fact, complete and detailed, the Commission states that it "has reason to believe that part of the income from the trust property will be paid to the respondent" and other matters from a source equally nebulous and unfounded.

Respondent alleges that there is no fact or evidence to [fol. 30] justify such reason or such belief by the Commission.

As to the matters stated in Subdivision 4, reference is made by the Commission to an alleged predetermined procedure relating to a service or loading charge in excess of 100%. Respondent categorically denies such allegation and affirmatively alleges that the method by which the price of certificates in the trust proposed in said Registration Statement is calculated in the declared value of oil properties conveyed to the trustee as stated in its answer set forth in said Registration Statement.

As to the matters stated in Subdivisions 5 and 6, the answers set forth in said Registration Statement clearly indicates that "J. Edward Jones, the depositor and sponsor, will participate in and will be entitled to any profit arising between the purchase price of the properties by him and the declared value at which the properties are conveyed to the Trustee."

That the declared value at which oil properties would be conveyed to the trustee would take into consideration not

only the cost of acquisition in addition to purchase price, but proper allowance for overhead, cost of distribution and a fair and reasonable profit would seem to follow under all known standards of accepted business practices. That brokerage or odd-lot premiums do not enter into the business of marketing oil royalties. There exists no Exchange for the trading of oil royalty properties.

As to the matters stated in Subdivision 7, reference is here again made to a predetermined plan of operation which has been treated hereinbefore and pointed out to be [fol. 31] wholly unfounded in fact as are the other allegations of the Commission contained in this Subdivision.

As to the matters stated in Subdivision 8, respondent alleges that the answer as given in said Registration Statement is accurate, true and complete on its face and that the allegations of the Commission are unfounded in fact. The Series M. trust which was proposed to be created by said Registration Statement necessarily was not and could not have been restricted by any state or other regulatory body.

As to the matters stated in Subdivision 9, it is apparent that the Commission's Form A-1 could not have been filed as an exhibit as claimed by the Commission for the reason that the assets of the trust proposed to be created would have comprised royalty interests to be acquired by the respondent at a future date and conveyed to the trustee in futurum.

As to the matters stated in Subdivision 10, the payment, by respondent as an individual, of an honorarium to the trustee for accepting the duties and obligations of that office in no way is a material fact which need be stated inasmuch as the values of the properties or trust certificates purchased by investors is not in any way affected by the personal and individual payment by respondent of such honorarium, separate and apart from respondent's capacity as trustor.

As to the matters stated in Subdivision 11, the qualification of the American Charter Company, the named trustee, to perform the duties of that office, have never been questioned by any state Regulatory Authority and their ability and integrity has never been impugned by anybody whatever.

[fol. 32] Respondent alleges that the discharge of similar duties by said American Charter Company in other trusts

created by respondent has been, at all times, eminently satisfactory to all investors concerned and respondent further alleges that said American Charter Company has caused its personnel to be bonded in its trust operations and is lawfully organized and existing under and by virtue of the Corporate Laws of the State of Delaware.

As to the matters stated in Subdivision 12, the answer is deprecated on the ground that the Commission has reason to believe that the facts as stated in the answer are not true. The respondent reaffirms the said answer in each and every detail thereof and affirmatively alleges that the Commission's allegations are wholly unfounded.

As to the matters stated in Subdivision 13, the answer is deprecated on the ground that the Commission has reason to believe that the facts as stated in the answer are not true. The respondent reaffirms the said answer in each and every detail thereof and affirmatively alleges that the Commission's allegations are wholly unfounded.

As to the matters stated in Subdivision 14, respondent prays that the Commission be directed to produce the orders which it "has reason to believe have been issued" by State Regulatory bodies denying or restricting the right of the respondent to sell the certificates of the trust sought to be created. That no such orders are in existence.

As to the matters stated in Subdivision 15, respondent alleges that the balance sheet contemplated by said requirement of "Form C-1" is the balance sheet of an investment [fol. 33] trust having an existence at least 90 days prior to the application for registration. That a balance sheet of the trust then proposed by respondent was impossible of construction, there being no assets, no liabilities, no trust in existence, no properties and no sales to customers.

Sixth. Admits each and every allegation contained in paragraph designated "VI", but denies the legality and the propriety of the acts therein alleged on the grounds hereinafter more particularly set forth.

Seventh. Admits the sending and receipt of a telegram as alleged in paragraph designated "VII", but denies the allegation contained in such telegram.

Eighth. Admits each and every allegation contained in paragraph designated "VIII", but denies the legality and

the propriety of the acts therein alleged on the grounds hereinafter more particularly set forth and further alleges,

(a) That William Green, designated in said order as "an officer of the Commission" is, and at the time of such designation was, a member of the legal staff of the Securities and Exchange Commission.

(b) That the designation purported to be made by said order was improper and illegal in that the duties of said office did and does require the exercise of independent judgment, the making of rulings upon matters affecting the admissibility of evidence, the acceptance and rejection of testimony, the determination of the credibility of witnesses and all other incidental duties and powers of a quasi-judi- [fol. 34] cial officer including the making of a report or a decision to the Commission and that said William Green, designated as aforesaid, was and is incapacitated by law from accepting said appointment by reason of his status as an attorney for said Commission.

Ninth. Admits each and every allegation contained in paragraph designated "IX".

Tenth. Admits that on the 18th day of June, 1935 a hearing, presided over by William Green, was commenced by the Securities and Exchange Commission in its offices in the City of Washington, District of Columbia, but denies the legality and propriety of each and every further act or purported act alleged in paragraph designated "X", and denies the power or jurisdiction of said Commission or said William Green to direct the adjournment therein alleged on the grounds more particularly hereinafter set forth.

Eleventh. Denies each and every allegation contained in paragraph designated "XI", except that on the 20th day of June, 1935, within the jurisdiction of this Court the respondent was personally served with a paper purporting to be a subpœna issued by said William Green, but denies the legality and validity of said subpœna and denies that said William Green had any power or jurisdiction to issue said purported subpœna or cause said purported subpœna to be served upon this respondent, and denies the legality, propriety and validity of all of the aforesaid acts.

Twelfth. Admits each and every allegation contained in paragraph designated "XII" except the allegations [fol. 35] thereof that the proceedings of the Securities and Exchange Commission on said 27th day of June, 1935 were "duly" held and that respondent had been "duly" served, which he denies.

For a First Affirmative Defense Respondent Alleges:

Thirteenth. That the Securities and Exchange Commission, the applicant in this proceeding has no legal existence and is not a tribunal or body lawfully created and that its process is void and without legal efficacy in that the so-called Securities Act of 1933 as amended by Title II of the Securities Exchange Act of 1934 known as "Securities Exchange Act of 1934", by which said commission purports to exist is unconstitutional and is violative of and repugnant to the provisions of the "Fourth", "Fifth", "Ninth", "Tenth", and "Fourteenth" Amendments to the Constitution of the United States.

Fourteenth. That the Securities Exchange Act is void as an attempted delegation of legislative power to the Securities and Exchange Commission and as such is plainly in violation of the "Fourth", "Fifth", and "Ninth" Amendments to the Constitution of the United States.

Fifteenth. That the Securities Exchange Act is, and the Amendments thereto are, void because the same are an attempt by the National Government to usurp powers reserved to the respective states and the people thereof by the "Tenth" Amendment to the Constitution of the United States.

[fol. 36] Sixteenth. That the Securities and Exchange Commission in the interpretation of its powers has sought to legislate in the matter of rules promulgated by the Commission to have the effect of Acts of Congress, which could not lawfully be so without first having been introduced as a bill in one of the Houses of Congress, then having passed both Houses, be finally approved by the President of the United States or re-enacted over his veto.

Seventeenth. That a National emergency brought about by financial depression did not bestow upon Congress the

power to enact the Securities Exchange Act or amendments thereto.

Eighteenth. That this respondent and all others similarly situated and engaged, in the State of New York or elsewhere, in the sale of units of ownership in oil and/or gas royalties and/or "working interest production" in the State of Oklahoma or elsewhere, is not engaged in an activity which affects interstate commerce except incidentally and remotely and such business therefore is not subject to regulation by the Federal Government.

Nineteenth. That the business of this respondent and others similarly situated in the sale, in the State of New York or elsewhere, of units of ownership in oil production in the State of Oklahoma which may or may not find its way out of the State of Oklahoma, is an intra state business wholly within the regulatory control of the State of New York and the Federal Government is therefore without authority under the commerce clause of the Constitution of [fol. 37] the United States to control the transportation of such harmless commodities as may incidentally or remotely find their way into inter-state commerce or foreign commerce.

Twentieth. That the business of the respondent and others similarly situated in the sale, in New York, of units of ownership in oil and/or gas royalties and/or "Working interest production" in the State of Oklahoma or elsewhere, is not a business involving a public offering of securities in inter-state commerce within the regulatory control of the Federal Government.

For a Second Affirmative Defense Respondent Alleges:

Twenty-first. That on the 4th day of May, 1935, respondent caused to be filed a Registration Statement on "Form C-1" which Registration Statement was subsequently given file number 2-1408-1.

Twenty-second. That thereafter and on or about the 18th day of June, 1935 before any final action had been taken thereon, respondent did dismiss and withdraw such Registration Statement (of which fact the applicant neglected to inform the Court) in the following manner, to wit:

(a) That on said 18th day of June, 1935, the Securities and Exchange Commission being in regular session and a hearing thereof being presided over by one William Green, its proceedings being identified with the Registration Statement bearing file number 2-1408-1, respondent entered his [fol. 38] appearance by his counsel, H. I. Fischbach. Counsel for the Commission and for your respondent being in attendance thereat, respondent by and through his said counsel notified and advised said Commission of the withdrawal by respondent of said Registration Statement.

(b) That said William Green thereupon refused to permit the withdrawal of said Registration Statement alleging that he had discretion either to permit or to refuse the withdrawal thereof and without assigning any reason whatever for the exercise of said alleged power of discretion in the premises, announced that the ruling of the Commission was that the withdrawal of said Registration Statement would not be permitted, to which ruling respondent by his said counsel duly excepted.

(c) That after taking such exception counsel for respondent withdrew from the further proceedings of said Commission.

Twenty-third. That the withdrawal of said Registration Statement as aforesaid was an accomplished fact and the attempt of the Commission to retain jurisdiction thereof was void, unlawful and improper, and the ruling of said Commission in respect thereto as aforesaid was void and arbitrary and without any foundation therefor in law or fact, as were any and all proceedings of said Commission subsequent in point of time to the withdrawal of said Registration Statement and respondent further alleges that the action of said Commission in attempting to retain jurisdiction of said Registration Statement was beyond the powers conferred upon it, if any, by the Securities Act of 1933 as amended by Title II of the Securities Act of 1934.

[fol. 39] Twenty-fourth. That the purported subpoena, upon which this application is based and pursuant to which the applicant herein seeks to compel the attendance of respondent before it, was issued by said Commission at an hour subsequent in point of time to the aforesaid withdrawal of said Registration Statement and at a time when

there was no proceeding pending before such Commission out of or in aid of which it could validly issue process and Respondent further alleges that there was no proceeding pending before said Commission at the time of the service of said purported subpœna.

For a Third Affirmative Defense Respondent Alleges:

Twenty-fifth. That on the 27th day of June, 1935, the Securities and Exchange Commission assumed to retain jurisdiction of said Registration Statement, despite its withdrawal, and assumed to act further in the premises at a purported adjournment of the proceedings identified with said Registration Statement to the lawful pendency of which respondent, by his said counsel had duly excepted. Respondent thereupon appeared specially by his counsel, Harry O. Glasser, J. N. Saye and H. I. Fischbach who presented to said Commission, William Green presiding, a document entitled "Dismissal" duly verified by respondent, a copy of which is annexed hereto and made a part hereof, marked Exhibit "A" and to which reference is hereby made with the same force and effect as if the same were set forth in its entirety in haec verba.

Twenty-sixth. That such "Dismissal" was overruled and [fol. 40] denied by said Commission to which ruling and order respondent's counsel duly excepted.

Twenty-seventh. That at the same time and place respondent's counsel presented and filed a document entitled "Motion to Dismiss" duly verified by respondent, a copy of which is annexed hereto and made a part hereof, marked Exhibit "B" and to which reference is hereby made with the same force and effect as if the same were set forth in its entirety in haec verba.

Twenty-eighth. That such "Motion to Dismiss" was overruled and denied by said Commision to which ruling and order respondent's counsel duly excepted.

Twenty-ninth. That at the same time and place respondent's counsel presented and filed a document entitled "Motion to Quash" duly verified by respondent, a copy of which is annexed hereto and made a part hereof, marked Exhibit "C" and to which reference is hereby made with the same force and effect as if the same were set forth in its entirety

in haec verba, which "Motion to Quash" was overruled and denied and to which ruling and order respondent's counsel duly excepted.

Thirtieth. Respondent further shows this Court that by Section 9 of the Securities Exchange Act of 1934 a remedy for the review of an order of the Commission is provided to the exclusion of all others in the following language:

"Any person aggrieved by an order of the Commission may obtain a review of such order in the Circuit Court of Appeals of the United States, within any circuit wherein [fol. 41] such person resides or has his principal place of business, or in the Court of Appeals of the District of Columbia, by filing in such court, within sixty days after the entry of such order, a written petition praying that the order of the Commission be modified or be set aside in whole or in part. A copy of such petition shall be forthwith served upon the Commision, and thereupon the Commission shall certify and file in the court a transcript of the record upon which the order complained of was entered. No objection to the order of the Commission shall be considered by the court unless such objection shall have been urged before the Commission. The finding of the Commission as to the facts, if supported by evidence shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the Commission, the court may order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Commission may modify its findings as to the facts, by reason of the additional evidence so taken, and it shall file such modified or new findings, which, if supported by evidence, shall be conclusive, and its recommendation, if any, for the modification or setting aside of the original [fol. 42] order. The jurisdiction of the court shall be exclusive and its judgment and decree, affirming, modifying, or setting aside, in whole or in part, any order of the Commission, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U. S. C., title 28, secs. 346 and 347.)"

Thirty-second. That being aggrieved by each of the said rulings and orders made by said Commission in the manner hereinbefore stated and pursuant to the authority of said Section 9, respondent immediately upon the conclusion of said purported proceedings, of the 27th day of June, 1935, did prepare and file a Petition for Review in conformity with said Section 9 of said Act in the Circuit Court of Appeals of the United States in and for the Second Circuit, a copy of said Petition for Review is attached hereto and made a part hereof and reference thereto is hereby made with the same force and effect as if the same were set forth in its entirety in haec verba.

Thirty-third. That by reason thereof as it affirmatively appears in said Petition for Review the matter of the application before this Court is plainly included in such Petition for Review and is now pending in the said Circuit Court of Appeals.

Thirty-fourth. That this Honorable Court is without jurisdiction to entertain this application by reason of the jurisdiction of this controversy vested in said Circuit Court of Appeals and this Court has no jurisdiction in the premises other than to certify the application made in this pro-
[fol. 43] ceeding to said Circuit Court of Appeals for final action upon its said Petition for Review now pending; that manifestly an order adverse to the respondent herein would, upon appeal, present a second Petition for Review upon the identical question now pending in said Circuit Court of Appeals.

Wherefore, respondent respectfully prays that this Court certify and refer this proceeding in its entirety to the Circuit Court of Appeals of the United States in and for the Second Circuit for such action thereon as to said Court may seem meet and proper, or in the alternative that the petition herein be dismissed and that respondent have such other and further relief as will do justice to the cause.

J. Edward Jones, Respondent, by H. I. Fischbach, Harry O. Glasser, J. N. Saye, Counsel.

Duly sworn to by J. Edward Jones. Jurat omitted in printing.

[fol. 44] STATEMENT AS TO EXHIBITS ANNEXED TO ANSWER

Exhibits A, B, C and D annexed to the answer of J. Edward Jones, are not reproduced here pursuant to stipulation, they being identical with Exhibits F, G, H and I attached to the Petition for Review, and reproduced therein at pages 143 to 151, infra.

[fol. 45] EXHIBIT TO ANSWER—PETITION FOR REVIEW NOW PENDING IN CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

UNITED STATES OF AMERICA:

CIRCUIT COURT OF APPEALS, SECOND CIRCUIT

J. EDWARD JONES, Petitioner,

vs.

SECURITIES AND EXCHANGE COMMISSION, Respondent

Petition for Review

The petition of J. Edward Jones by Harry O. Glasser of Enid, Oklahoma, J. N. Saye of Longview, Texas and H. I. Fischbach of New York, N. Y., his counsel, respectfully shows this Court and alleges.

1. That your petitioner is a citizen of the United States, a resident of the County of Westchester in the State of New York, and maintains and has his principal place of business at 342 Madison Avenue in the Borough of Manhattan, City, County and State of New York all within the Second Circuit of the Circuit Court of Appeals of the United States.

2. That by section 9 of Title I, the Securities Act of 1933 as amended by Title II of the Securities Exchange Act of 1934, jurisdiction is vested in this Honorable Court to re-[fol. 46] view any order of the Securities and Exchange Commission, upon the petition of any person feeling aggrieved thereby.

3. Heretofore and on or about the 4th day of May, 1935, your petitioner voluntarily and duly filed with the Securities and Exchange Commission a document entitled "Regis-

tration Statement Form C-1 Investment Trusts" a copy of which is annexed hereto, made a part hereof, marked Exhibit A, with the same force and effect as if same were set forth in its entirety in haec verba.

4. That thereafter and on or about the 23rd day of May, 1935, Francis P. Brassor, Secretary of said Commission and on behalf thereof did forward to petitioner a Western Union Telegram, the original of which was received by petitioner and a copy of which is annexed hereto, made a part hereof marked Exhibit B, with the same force and effect as if the same were set forth in its entirety in haec verba.

5. That thereafter and on or about the 6th day of June, 1935, the hearing docketed for said day by said Commission was by agreement duly adjourned to the 18th day of June, 1935 at the hour of 10:00 A. M.

6. That thereafter and on or about the 15th day of June, 1935, petitioner upon returning to his place of business aforesaid found that there had been left there at about the hour of 3:00 P. M. a subpœna duces tecum which by its terms commanded the appearance of your petitioner before said Securities and Exchange Commission at Washington, D. C. on the 18th day of June, 1935, in addition to the production thereat of certain books, papers and documents. A [fol. 47] copy of said subpœna duces tecum is annexed hereto, made a part hereof, marked Exhibit C, and reference thereto is hereby made with the same force and effect as if here set forth in its entirety in haec verba.

7. That on said 18th day of June, 1935, your petitioner entered his appearance by his counsel, H. I. Fischbach, at a hearing before said Commission in Washington, D. C. and thereupon said Commission being in regular session and said hearing being presided over by an officer thereof, the Honorable William Green, and counsel for the Commission and your petitioner being in attendance thereat, petitioner by and through his counsel, H. I. Fischbach, did notify and advise said Commission that petitioner withdraws the Registration Statement identified with said proceeding and given file number 2-1408, said Registration Statement so withdrawn being the identical document a copy of which is annexed hereto as Exhibit 'A'.

8. That thereupon the said Hon. William Green, Acting Examiner, refused to permit the withdrawal of said Regis-

tration Statement citing in support of said refusal and ruling Release #47 promulgated by said Commission, a copy of which Release #47 dated September 22, 1933 is annexed hereto for the convenience of the Court as Exhibit D, to all of which refusal and ruling petitioner by his said counsel duly took exception.

9. That thereupon counsel for petitioner withdrew from the further proceedings of the day.

10. That thereafter and on or about the 19th day of June, 1935 in New York, your petitioner was personally served with a purported subpœna which by its terms com-
[fol. 48] manded the appearance of your petitioner before said Securities and Exchange Commission at Washington, D. C. on the 27th day of June, 1935 at 10:00 o'clock A. M. A copy of said subpœna is annexed hereto, made a part hereof marked Exhibit 'E' and reference thereto is hereby made with the same force and effect as if said purported subpœna were here set forth in its entirety in haec verba.

11. That thereafter and on the 27th day of June, 1935 at the hour of 10:00 o'clock A. M. in the hearing chamber of the Respondent at Washington, D. C., the Hon. William Green, Acting Examiner, presiding, your petitioner appeared specially by his counsel, Harry O. Glasser, J. N. Saye and H. I. Fischbach and thereupon the presiding Examiner announced that the Commission was ready to proceed with the matter, and thereupon counsel for petitioner stated that they desired to present certain motions in behalf of the petitioner tendering copies thereof to counsel for the Commission who thereupon requested a recess of 30 minutes for the examination of the same which was granted. After said recess, the Commission reconvened, the Honorable William Green presiding and thereupon counsel for petitioner presented and filed a document entitled "Dismissal", duly verified by petitioner, a copy of which and the verification thereof being annexed hereto, made a part hereof, marked Exhibit F and reference thereto is hereby made with the same force and effect as if the same was here set forth in its entirety in haec verba, which "Dismissal" was overruled and denied by said Commission, to all of which ruling and order petitioner duly excepted, and by which ruling
[fol. 49] and order petitioner is aggrieved and prays a

review thereof by this Honorable Court in the manner provided by law.

12. That thereupon counsel for petitioner presented and filed a document entitled "Motion to Dismiss," duly verified by petitioner, a copy of which and the verification thereof being annexed hereto, made a part hereof, marked Exhibit G and reference thereto is hereby made with the same force and effect as if the same was here set forth in its entirety in haec verba, which "Motion to Dismiss", was overruled and denied by said Commission, to all of which ruling and order petitioner duly excepted, and by which ruling and order petitioner is aggrieved and prays a review thereof by this Honorable Court in the manner provided by law.

13. That thereupon counsel for petitioner presented and filed a document entitled "Motion to Quash", duly verified by petitioner, a copy of which and the verification thereof being annexed hereto, made a part hereof, marked Exhibit H and reference thereto is hereby made with the same force and effect as if the same was here set forth in its entirety in haec verba, which "Motion to Quash" was overruled and denied by said Commission, to all of which ruling and order petitioner duly excepted, and by which ruling and order petitioner is aggrieved and prays a review thereof by this Honorable Court in the manner provided by law.

14. That thereupon counsel for petitioner presented and filed a document entitled "Objection to Jurisdiction," duly verified by petitioner, a copy of which and the verification [fol. 50] thereof being annexed hereto, made a part hereof, marked Exhibit I and reference thereto is hereby made with the same force and effect as if the same was here set forth in its entirety in haec verba, which "Objection to Jurisdiction" was overruled and denied by said Commission, to all of which ruling and order petitioner duly excepted, and by which ruling and order petitioner is aggrieved and prays a review thereof by this Honorable Court in the manner provided by law.

15. That petitioner is aggrieved by said rulings and orders, and each and every part thereof and alleges that they are separately and severally contrary to law and deprive petitioner of his substantial rights.

Wherefore petitioner prays a review thereof in conformity with Section 9 of the Securities Act of 1933 as amended by Title II of the Securities Exchange Act of 1934 and thereupon that such orders and ruling complained of and by which petitioner is aggrieved be modified or set aside in whole or in part and for such other, further and different relief as to the Court may seem proper and just in conformity with law.

J. Edward Jones, Petitioner, by Harry O. Glasser, J. N. Saye, H. I. Fischbach.

[fol. 51] *Duly sworn to by Hyman I. Fischbach. Jurat omitted in printing.*

[fol. 52] EXHIBIT A ANNEXED TO PETITION FOR REVIEW

Registration No. —

Form C-1

Securities and Exchange Commission, Washington, D. C.

Registration Statement

Investment Trusts

Name of Depositor: J. Edward Jones.
Address: 342 Madison Ave., New York, N. Y.
Name of Sponsor: J. Edward Jones.
Address: 342 Madison Ave., New York, N. Y.
Name of Trustee: American Charter Company.
Address: 800 Citizens Bank Bldg., Wilmington, Del.
Name of Trust: J. Edward Jones Royalty Trust, Series "M".
Type of Issue: Participation Trust Certificates in producing oil royalties.
Number of Certificates for which this Registration Statement is Filed: 1,000.
Aggregate Offering Price: $100,000.
Amount of Fee: $25.
Date of Proposed Public Offering: May 24, 1935.
Name and Address of Person who is Authorized to Receive Service and Notice of all Notices and Orders Which

May be Issued by the Securities and Exchange Commission Relating to this Registration Statement: Floyd Toomey, C/o Alvord & Alvord, Munsey Building, Washington, D. C. [fol. 53] Unincorporated Investment Trusts Not Having a Board of Directors (or Persons Performing Similar Functions) of the Fixed or Restricted Management Type Having a Depositor or Sponsor.[1]

The following questions apply as indicated to the trust, to the trustee, to the depositor or sponsor, and should be answered fully. If the answer to any question is not available or known, so state and explain.

Information Concerning the Trust

1. Full name of the trust.
J. Edward Jones Royalty Trust, Series "M".

2. Full name of the certificates [2] for which this registration statement is filed..
Participation Trust Certificates.

3. Name and address of counsel who has rendered an opinion regarding the legality of the certificates for which this registration statement is filed.
E. J. Lundy, 1308 Hunt Bldg., Tulsa, Okla.

4. The date of the execution of the trust agreement.
May 2, 1935.

5. The number, if any, of certificates of the trust now outstanding.
None.

[fol. 54] 6. State the aggregate offering price at which the certificates are offered for which this registration statement is filed. This offering price shall be the equivalent of the selling price of these certificates to the public as of a

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[1] Investment trusts not included in above specification should file on Form A-1.

[2] The term "certificate" as used herein shall not mean merely such documents as evidence an interest in the trust but shall mean the fractional interests in the trust which are offered and sold.

specified day within 15 days prior to the filing of the registration statement,[3] computing such selling price upon the same basis as that at which the certificates are to be offered to the public. The aggregate offering price is the product of the offering price per certificate as above defined and the number of certificates for which this registration statement is filed. (The fee payable for registration, if in excess of $25, in one one-hundredth of 1 percent of the aggregate offering price.)

$100,000.

7. The proposed date of initial public offering of the certificates for which this registration statement is filed.

May 24, 1935.

8. Are the certificates in bearer or registered form?

Registered form.

9. If such certificates are or may be registered, state the name of the registrar.

American Charter Co., 800 Citizens Bank Bldg., Wilmington, Del.

10. Are the certificates of the cumulative or distributive type?

Distributive type.

11. If the trust is of the unit type, furnish a list of the securities composing a unit as of a date within 15 days [fol. 55] prior to the filing of this registration statement, and state the number of certificates issued against each unit.

The entire properties, consisting of oil royalties which are to be conveyed by the Depositor, who is also the Sponsor, constitute one unit, the entire corpus or trust estate being the unit. Certificates of the stated value of $100 each are to be issued; the aggregate amount of certificates to be issued are equal in aggregate amount to the declared value of the properties conveyed by the Depositor to the Trustee.

12. If the trust is not of the unit type, state the composition of the trust property as of a date within 15 days prior to the filing of the registration statement.

No properties have been conveyed to the Trustee.

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[3] Whatever date is chosen in this connection should be maintained for items 11, 12, 38, 41, 69 and 75.

13. Explain how and by whom the securities or other property composing the trust are purchased.

Property which will compose the trust is to be purchased by J. Edward Jones, 342 Madison Ave., New York. J. Edward Jones is also the Depositor and Sponsor.

14. What limitations, if any, are expressly placed upon those making purchases for the trust as to purchases from the depositor or sponsor, or from the officers or directors of the depositor or sponsor, or from persons in whom such depositor or sponsor, its officers or directors, are officers, directors, or stockholders. If no such express limitations exist, make a specific statement to that effect.

None.

[fol. 56] 15. State the conditions, if any, upon which securities or other property held in the trust may be eliminated therefrom, and the disposition made of the proceeds thereof.

Property acquired by the Trustee by conveyance thereof to him from J. Edward Jones, the Depositor, cannot be eliminated from the trust, except that under the provisions of the Trust Agreement the Trustee, with the consent in writing of holders of two-thirds in amount of the aggregate of the certificates issued and outstanding at the time of consent, may sell or dispose of all or a portion of the properties of the trust. The trust may be wound up and liquidated prior to the 21 year limitation period fixed for its existence upon the consent in writing of two-thirds of the aggregate amount of certificates then issued and outstanding. The Trustee has no authority to purchase other properties with the proceeds of any property sold; but the proceeds will be distributed to certificate holders pro rata.

16. State the conditions, if any, upon which securities or other property may be substituted for or added to the securities comprising the trust.

Securities or other property cannot be substituted for property conveyed to the Trustee, which property comprises the trust.

17. What disposition is made of stock dividends, rights, split ups, and the like, derived from the deposited property?

There are no dividends, rights or split-ups.

18. If sold, what express limitations does the trust indenture place upon the length of time that stock dividends, rights, split ups, and the like may be held before sale, and [fol. 57] what disposition is made of the proceeds thereof? If no such governing provisions are contained in the trust indenture, what is or will be the practice with reference thereto?

There are no dividends, rights or split-ups and no provision is therefore made with respect to them.

19. State concisely the provisions, if any, for giving certificate holders the right to exercise a vote in respect of the securities held in the trust.

The certificate holders have no right to exercise a vote in respect of the securities held in the trust, except that the holders of two-thirds in the aggregate amount of certificates issued and outstanding may consent to a sale of a portion or all of the property by the Trustee (See answer to 15).

20. If certificate holders do not have or do not exercise such voting rights, state by whom such rights are exercised.

The right to select properties to be conveyed to the Trustee is vested in J. Edward Jones, Depositor and Sponsor, and the Trustee is obliged to accept the value so declared by J. Edward Jones.

21. If any periodic distributions have been made to certificate holders within the last 3 years prior to the date of this registration statement, show for each such distribution the dates, amounts, and sources thereof applicable in respect of each certificate.

No distributions have been made and there are no certificate holders of this trust.

22. If any special distributions have been made to cer- [fol. 58] tificate holders within the last 3 years prior to the date of this statement, show for each such distribution the dates, amounts, and sources thereof applicable in respect of each certificate.

None have been made and there are no certificate holders.

23. State the proposed dates, if any, upon which periodic distributions are to be made to the holders of certificates,

by whom such distributions are to be made, in what manner, and from what funds.

The dates of periodic distributions are not fixed; but it is the purpose and plan to make monthly periodic distributions where the net proceeds available for distribution warrant it. Distributions will be made from proceeds of the sale of oil from the royalties composing the corpus of the trust estate after deduction of expenses provided for in the Trust Agreement.

24. Explain the procedure in connection with the disposition and custody of the income of the trust from the time of its receipt until its distribution, and if any interest accrues thereon, explain the treatment thereof. If any person has the use of any undistributed income of the trust without interest for any period, state specifically the person and the circumstances.

The income of the trust will be received monthly in the form of checks from the Oil Purchasing Companies purchasing the oil from the royalties comprising the corpus of the trust. This will be deposited to the account of the Trustee and distributed monthly, if conditions warrant their monthly distribution (See answer to 23). No inter-
[fol. 59] est will accrue and no person has the use of any undistributed income or moneys of the trust.

Supplemental Answer 25

25. Explain every sum that is, or may be, directly or indirectly, deducted or set aside for any purpose (other than as a reserve) from the trust property, including the income therefrom, the purpose of such deduction, the person to whom paid, or, if held, by whom held, and the provisions for its ultimate disposition.

Paragraph 33 of the Trust Agreement provides as follows:

"33. The Trustee shall have and it is hereby granted a first lien upon all of the trust property herein, for all its fees, charges, etc., which shall be as follows:

From the Trustor:

1. Attorney and counsel fees in connection with this agreement or in connection with any matter arising thereunder including counsel fees for the preparation of this

trust agreement for the preparation and filing of any registration statement or prospectus with state or federal authorities; provided that the expenses for counsel fees in the preparation of this trust agreement and in completing the preparation of the registration statement, the prospectus or other documents to be filed with said state or federal authorities and all other services up to the time [fol. 60] that any said registration statement shall become effective shall not exceed the sum of $5,000.00.

2. All disbursements for the recordation of all documents to be registered in accordance with the terms of this agreement.

3. $1.00 per each certificate issued by the Trustee.

From the trust property or its income:

4. For the maintenance of each account upon books of the Trustee—25¢ per annum.

5. For the payment or distribution of the income or receipts of this trust to the certificate holders—5% of the gross receipts or income. Said 5%, however, shall not be less than the sum of 15¢ per check issued by the Trustee.

6. For all out of pocket expenses of the Trustee, including postage, books of account, checks, stationery and other necessary supplies used in connection with the administration of the Trust."

In paragraph 21 of the Trust Agreement it is provided as follows:

"All municipal, state and federal taxes, fees and charges, Trustee's expenses and supervision expenses shall be a lien upon the property composing the trust fund herein and/or its income and shall be paid out of the income, if [fol. 61] any, and if there be no income then out of the principal of the trust fund herein.

"Anything herein to the contrary notwithstanding, the Trustee shall have full discretionary powers as to the manner of how, when and from what property or income herein the said taxes, fees and charges may be paid."

25. Explain every sum that is or may be, directly or indirectly, deducted or set aside for any purpose (other

than as a reserve) from the trust property, including the income therefrom, the purpose of such deduction, the person to whom paid, or, if held, by whom held, and the provisions for its ultimate disposition.

See Supplemental Answer to 25.

26. Explain every sum that is or may be, directly or indirectly, deducted or set aside as a reserve from the trust property, including the income therefrom, the object of such reserve, the person by whom held, and the provisions for its ultimate disposition.

Paragraph 47 of the Trust Agreement provides:

"Out of the income of the trust fund herein created the Trustee shall set apart ½ of 1% as a reserve fund, which reserve fund is to be used first for the payment of any fee, charge and cost, including attorney's fees, that may be incurred herein, when same cannot be paid from the current income. Upon the said reserve fund reaching the sum of $2,000 no more shall be added, except to replace disbursements therefrom."

[fol. 62] No provision other than this is made for a reserve fund.

27. State whether the depositor, sponsor, trustee, or any other person has or may create a lien on the trust property, and if so, give full particulars thereof.

No person may create a lien on the trust property; but the Trustee, by the Trust Agreement, is given a lien on the trust property for certain expenses, expenditures. (See detailed answer in Supplemental Answer 25.)

28. State the terms and conditions upon which a holder of the trust certificates may terminate his interest; the charges for termination and to whom such charges are paid; and by whom and the method by which the value of the certificates is determined.

No provision is made for the termination of the interest of the holder of trust certificates. He may sell and assign his certificates to another. No method is provided for determining the value of the certificates.

29. State how, the date when, and under what circumstances the trust is to be, or may be, terminated as an entirety.

The trust must be terminated immediately after 21 years from the date of the Trust Agreement, which is May 2,

1935, unless sooner terminated. It may be sooner terminated by the Trustee upon consent in writing of the holders of ⅔ in aggregate amount of certificates issued and outstanding. The sale of all the property under such consent would amount to a termination of the trust as an entirety as no provision is made for reinvestment of the [fol. 63] proceeds of the sale of any or all of the property (See answers to 15 and 19; see Supplemental Answer 29).

30. If the trust may be extended as an entirety beyond the termination date, state how and under what circumstances.

The trust may not be extended as an entirety beyond its termination date.

31. Describe the method by which, and name the person by whom, the trust will be liquidated upon its termination as an entirety.

The Trustee in office at its termination will liquidate the trust either by conveyance to each certificate holder of his or her fractional prorata interest in the properties, or by a sale of the properties either at public or private sale and distribution of the proceeds of the sale to the certificate holders (See answer and Supplemental Answer to 29).

32. State all charges or deductions which may be made for, or in connection with, such liquidation and to whom paid and the purpose therefor.

Upon liquidation all expenses and claims against the trust will be paid and the Trustee will be entitled to receive reasonable liquidation charges. No specific amount for charges or deductions in connection with the liquidation is provided for. The language of the Trust Agreement with respect thereto is as follows:

"25. The Trustee shall apply the proceeds of any sale of the trust property herein as follows:

1. The payment of all taxes, charges, fees, costs and dis- [fol. 64] bursements and expenses incurred by the Trustee, including all attorneys' fees.

2. The division of the balance, if any, among the record holders of said Participation Trust Certificates, prorata as their interest may appear."

Supplemental Answer 29

29. State how, the date when, and under what circumstances the trust is to be, or may be, terminated as an entirety.

Paragraph 24 of the Trust Agreement provides as follows:

"24. (a) The trust hereby created shall continue for a period of twenty-one years from the date hereof unless sooner terminated in the manner hereinafter set forth. If at the expiration of said twenty-one year period, this trust has not been liquidated in some manner herein provided, the Trustee then in office, then, immediately shall proceed to liquidate and wind up the affairs of said Trust and shall distribute to the registered holders of the participation trust certificates, after all proper liquidation expenses and other expenses and claims have been paid, the property, or the proceeds from the sale of the property of the trust. In thus liquidating and winding up said trust and its properties, the Trustee shall have the absolute right to sell or dispose of the whole or any part of said properties, either at public or private sale, without consulting or procuring the consent of the registered holders of the participation trust [fol. 65] certificates or the consent of any one of them, the same as though the properties were the individual properties of the Trustee and anyone purchasing any part thereof shall not be required to make inquiry in any way whatsoever, either as to the right or authority of the Trustee to make the sale, or to make inquiry as to the manner in which the Trustee intends to handle, distribute or dispose of the proceeds derived from the sale of the properties or any part thereof. Before a holder of participation trust certificates shall be entitled to receive his or her proportionate part of the proceeds or of the properties upon liquidation said holder shall be required to surrender a certificate or certificates representing his or her right or rights of participation.

"(b) The Trustee may sell and convey all or any part of the trust property upon receiving in advance the written consent to such sale and conveyance from the owners of two-thirds in amount of the participation trust certificates in this trust then issued and outstanding, but notwithstanding such consent, the Trustee shall not be obliged so to do.

"(c) The Trustee may liquidate and wind up this trust and make a sale of all of its property or may distribute all of its property to the holders of participation trust certificates in such manner and at such times prior to the expiration of the twenty-one year period as the owners of two-thirds in amount of the participation then issued and outstanding may consent in writing, but notwithstanding such [fol. 66] consent, the Trustee shall not be obliged so to do."

33. Describe the method by which notice is to be given the holders of certificates of the termination or proposed termination of the trust as an entirety.

No method is provided for giving notice to the holders of certificates of the termination of the trust as an entirety where it is to be terminated by expiration of the 21 year limitation expressed therein. No provision is given for notice to the holders of certificates of the termination prior to the limitation period; but the holders of ⅔ in amount of the aggregate value of certificates issued and outstanding must consent to such earlier termination of the trust.

34. Explain what disposition is to be made of unclaimed funds upon the termination of the trust. When will such funds be regarded as unclaimed so as to permit of their disposition?

No provision is made with respect to unclaimed funds upon the termination of the trust. No provision is made as to what time must elapse before the funds will be regarded as unclaimed.

35. State the percentage that the aggregate annual maintenance charges and deductions bear to the dividend and interest income from the trust property on the basis of dividend and interest income thereon during the 3 latest fiscal years, year by year, or, if the trust has not been in existence for such period, then the period for which the trust has been in existence, year by year. If the date of the filing of the registration statement is more than 90 days after the close of the last fiscal year, submit a similar statement [fol. 67] from such closing date to the latest practicable date.

The trust has not been in existence and no percentage can be given.

36. State the method by which the price of the certificates to be sold is calculated, giving a full statement of all

of the component parts thereof including the so-called "service" or "loading" charge.

The price of the certificates to be sold is calculated on the declared value of the property conveyed to the Trustee, the stated aggregate value of the certificates to be issued equaling the declared value of the property conveyed to the Trustee. No "service" or "loading" charge is provided for; but properties are selected by the Depositor, who is also the Sponsor, and paid for by him and conveyed to the Trustee at a value declared by the Depositor, who is also the Sponsor.

37. Explain what adjustments are made in the offering price to absorb any variation between the price as computed according to item 36 and the actual offering price.

No adjustments are provided for in the offering price to absorb any variation between the price as computed according to Item 36 and the actual offering price. The price computed according to Item 36 is the declared value of the properties, the declaration of values being made by J. Edward Jones, the Depositor, who is also the Sponsor.

38. State the "service" or "loading" charge in terms of a percentage of the actual market value of the underlying securities, as of a date within 15 days prior to the fil- [fol. 68] ing of this registration statement. If odd-lot premiums, commissions, or the like, are included in the determination of the market value of the underlying securities, make a specific statement to that effect, explaining concisely the basis upon which such premiums, commissions, or the like are computed.

There are no underwriting securities vested in the Trustee.

39. Name the person or classes of persons participating, directly or indirectly, in the "service" or "loading" charge, and state the percentage of such charge received by each.

No "service" or "loading" charge is provided for. J. Edward Jones, the depositor and Sponsor, will participate in and will be entitled to any profit arising between the purchase price of the properties by him and the declared value at which the properties are conveyed to the Trustee.

40. If any component part of the offering price consists of brokerage, commissions, odd-lot premiums, or other items of expenditure (other than the service or loading charge),

state whether the items named are actually paid by the depositor or sponsor, and, if not, explain fully.

No brokerage commissions or odd lot premiums or other items of expenditure are provided for.

41. State the percentage that the odd-lot premiums, included in the value of the underlying securities comprising a unit, bear to the market value of the underlying securities, as of a date within 15 days prior to the filing of this registration statement, excluding from such value the odd-lot premiums but including therein customary round-lot [fol. 69] brokerage or commissions. If such percentage, when charged against any particular underlying security, exceeds 5 percent of the value of such security (computed as above), name such securities and the percentage charged against each.

There are no underlying securities.

42. Give the dates of, parties to, and general effect of, every material contract affecting, directly or indirectly, the trust which contract is to be performed in whole or in part at or after the filing of this registration statement.

The Trust Agreement is the only material contract now in existence which affects the trust directly or indirectly. The Trust Agreement is dated May 2, 1935 and is between J. Edward Jones, the Depositor and Sponsor, and American Charter Co., the Trustee. J. Edward Jones agrees to convey to the Trustee free, clear and unencumbered properties of the value of $100,000., and the Trustee is to issue certificates to him or to his nominees from time to time which equal in value, at the stated value of $100. per unit, the property conveyed by him to the Trustee. Unless properties to the declared value of $100,000. are conveyed to the Trustee within one year from the date of the Trust Agreement no more will be conveyed to the Trustee and the certificates issued and outstanding at any time will equal only the declared value of the properties conveyed to the Trustee (See paragraphs 1 and 51 of the Trust Agreement).

43. Describe briefly the frequency, nature, and scope of reports to certificate holders.

Certificate holders will receive a report each time a [fol. 70] periodic distribution is made of receipts and expenditures; an annual audit will be made and a concise report thereof forwarded to the certificate holders annually.

44. Give the name and address of the independent certified or public accountant, if any, preparing and certifying audits or examinations of accounts of the depositor and of the trust property, together with the scope, frequency, and regularity thereof.

Frederick M. Scholz, 15 East 42nd Street, New York, N. Y. Audit will be made annually of accounts of the Depositor with respect to the trust property and of the trust property, and will cover all receipts, expenses, reserves and disbursements.

45. Describe briefly the general plan for the distribution of the certificates for which this registration statement is filed.

As and when the properties are conveyed to the Trustee, as provided in the Trust Agreement, the Trustee delivers to the Trustor, J. Edward Jones, who is also the Depositor and Sponsor, certificates equal in value to the declared value of the properties conveyed, or delivers such certificates to a person designated by him. The certificates are sold by or through J. Edward Jones to the investing public at the stated value of $100 per each certificate, the cost of the sale and the commissions therefor being paid wholly by J. Edward Jones, Trustor.

46. If there is any variation in the price at which any portion of the certificates is proposed to be offered to any [fol. 71] person or classes of persons (other than the underwriters), give a list of such persons or classes of persons, naming them, and state the amount of such variation or variations.

There is no variation in price at which certificates are to be offered.

47. State what reinvestment rights are available to certificate holders.

No reinvestment rights are available to certificate holders.

48. Give details of every denial or restriction by any State regulatory body of the right to sell certificates issued under this trust.

None.

49. Are the certificates for which this registration statement is filed payable in installments, or are investment con-

tracts or similar obligations to be sold in connection with the sale of interests in the trust?

Purchase price of certificates is not payable in installments. No investment contracts or similar obligations to be sold in connection with the sale of interests.

50. If the answer to the question next above is in the affirmative, attach as an exhibit a transcript of an investor's account over the period for which the installment payments or investment contracts run, showing the amount of the monthly or periodical payments, all deductions made therefrom and the purposes therefor, and the amount available for investment. Attach as an exhibit also in parallel columns, as of the end of each installment period, the total amount paid in (computing in such total interest upon the sums paid in at the rate of 3 percent, compounded semi-[fol. 72] annually, less any actual payments made or payable to the investor), and the cash surrender or cancelation value of the investor's rights under the installment purchase plan or investment contract.

51. If more than 25 percent of the total assets of the trust, or of any unit thereof, consists of securities issued by one issuer and/or its subsidiary and/or affiliate, submit all of the data relative to such issuer, subsidiary, and/or affiliate, as would be required by Form A-1, as a separate exhibit, unless such data were originally filed with the Commission as of the time of the issuance of such securities.

None of the assets is to consist of securities issued by the issuer or its subsidiary or affiliate.

Information Concerning the Trustee

52. Name and address of the trustee.

American Charter Co., 800 Citizens Bank Bldg., Wilmington, Delaware.

53. State the initial fees paid or to be paid to the trustee and the source of their payment.

None.

54. State how the continuing charges of the trust, including all periodic fees and expenses, have been and will be paid during the life of the trust, explaining in detail how such charges are determined.

Continuing charges of the trust are to be paid out of income from the trust (See answer to 25 and Supplemental Answer to 25). Charges, except the fixed charges set forth in paragraph 33 (Supplemental Answer 25) cannot be determined in advance but will be determined on the usual and customary charge for such service.

[fol. 73] 55. If any of the fees and charges specified in items 53 and 54 are borne by the depositor or some other person, state that fact specifically and furnish information as to the ability of the depositor or such other person to meet these charges throughout the life of the trust.

None are borne by the Depositor.

56. If there is any arrangement whereby any compensation paid or purported to be paid to the trustee is shared, directly or indirectly, with any other person, set forth the terms and conditions thereof.

None.

57. If the trustee may be removed under the terms of the trust agreement, state by whom, how, and under what circumstances.

No provision provided for removal of the Trustee under the terms of the Trust Agreement.

58. If the trustee may resign under the terms of the trust agreement, state how and under what circumstances.

The Trustee may resign at any time.

59. In the event of the removal or resignation of the trustee, state the procedure for the appointment of a successor and state who bears the expense thereof. In the absence of any trustee, state the procedure to be followed.

See Supplemental Answer.

60. State briefly the duties and responsibilities of the trustee, and any express limitation on the liability of the trustee, including the provisions of the trust agreement, if [fol. 74] any, in respect to matters on which the trustee may be entitled to rely on opinion of counsel.

See Supplemental Answer.

61. Furnish information as to the ability of the trustee to perform the duties imposed upon him under the trust.

American Charter Company is a corporation having perpetual existence and is organized under the laws of the State of Delaware and doing business therein.

62. If any duties and responsibilities (other than clerical or purely ministerial) imposed upon or required of the trustee in connection with the proper conduct of the trust are performed by others than the trustee, state the character of such duties and by whom performed.

No duties other than clerical and ministerial are performed by anyone other than the Trustee; the Trustee being a corporate entity, its duties may be performed by the officers of the corporate Trustee.

63. Furnish information as to the ability of the persons to perform the duties and responsibilities mentioned in item 62 throughout the life of the trust.

The life of the trust is limited to 21 years. The corporate Trustee has perpetual existence.

Information Concerning the Depositor

64. Name and address of the depositor.

J. Edward Jones, 342 Madison Ave., New York, N. Y.

65. Form and style of the organization of the depositor, such as individual, corporation, partnership, etc.

Individual.

[fol. 75] 66. Name of the State or other sovereign power under which the depositor is organized or incorporated.

Not applicable as Depositor is individual.

67. Names and addresses of the directors of the depositor or persons performing similar functions and of its chief executive, financial, and accounting officers, specifying the office held by each.

Name	Address	Office held
None.	.....	.....

68. If the depositor is a partnership, state the name and address of each partner.

Name	Address
Not a partnership	.....

Supplemental Answer 59

59. In the event of the removal or resignation of the Trustee, state the procedure for the appointment of a suc-

cessor and state who bears the expense thereof. In the absence of any Trustee, state the procedure to be followed.

No provision is made for the removal of the Trustee and none for the appointment of a successor Trustee in the event of removal. In the event of the resignation of the Trustee the five holders of record highest in amount of [fol. 76] participation trust certificates select a temporary Trustee. The temporary Trustee gives notice to the certificate holders and suggests the name of a corporate Trustee to be appointed as permanent successor Trustee. The holders of certificates of a majority in an aggregate amount of certificates issued and outstanding may reject the Trustee so selected and if such rejection is made the temporary Trustee in the same manner proposes another until one is selected that meets the approval of a majority in amount of the holders of certificates then issued and outstanding. Unless objections are made by holders of a majority in value of certificates then issued and outstanding to the Trustee selected within ten days, the Trustee so selected by the temporary Trustee becomes successor Trustee.

See paragraph 35 of the Trust Agreement.

Supplemental Answer 60

60. State briefly the duties and responsibilities of the Trustee, and any express limitation on the liability of the Trustee, including the provisions of the Trust Agreement, if any, in respect to matters on which the Trustee may be entitled to rely on opinion of counsel.

The trustee is to receive and collect the proceeds derived from the sale of oil from the oil royalties comprising the trust and is liable only for bad faith in matters affecting the trust. The Trustee is entitled to rely upon advice of counsel with respect to any matters arising under the Trust Agreement.

The provisions of the Trust Agreement with respect thereto are as follows:

[fol. 77] "27. The Trustee shall not be answerable for the default or misconduct of any agent or attorney appointed by it in pursuance hereof, if such agent or attorney shall have been selected with reasonable care, or for anything whatever in connection with this trust, except its own wilful misconduct or gross negligence.

"28. The Trustee shall not be under any obligations to institute, appear in, conduct or defend any suit or litigation or to take any action towards the execution or the enforcement of the trust hereby created, which in its opinion will be likely to involve it in expense or liability unless one or more of the holders of the participation trust certificates shall as often as required by the Trustee, furnish indemnity satisfactory to the Trustee against such expense or liability: Anything herein contained to the contrary notwithstanding, the foregoing provisions of this paragraph are intended only for the protection of the Trustee, and shall not be construed to limit or affect any discretion or power by any provision of this indenture given to the Trustee to determine whether or not it shall take action in respect of any default, or any power or discretion of the Trustee to take action in respect of any default, notwithstanding the lack of notice or request to do so from the holders of the participation trust certificates herein.

"29. The Trustee shall incur no liability to anybody in acting upon any notice, request, consent, certificate, note, [fol. 78] document or paper believed by it to be genuine and to have been signed by the proper person.

"30. The recitals and statements herein and in the participation trust certificates contained shall be taken as statements by the Trustor and shall not be considered as made by or imposing any obligations or liability upon the Trustee herein.

"31. The Trustee shall not be held responsible for the title or value of any property or for the validity of any deed or instrument herein referred to, and it shall not be under any duty to inform itself as to the value of such property or validity of such deed, nor shall the Trustee be held responsible for the proper recording of any deeds or other instruments, or for the sufficiency of any transfer orders from the Trustor or acceptance or recognition thereof by any Pipe Line Company.

"32. The Trustee may employ agents and attorneys in the execution of the trusts hereof and may consult with legal counsel, including counsel of the Trustor, and any action under this indenture taken or suffered in good faith by the Trustee in accordance with the opinion of such counsel shall be conclusive in favor of the Trustee as against the Trustor and all holders of participation trust cer-

tificates, and shall fully protect the Trustee in respect thereof."

69. Give the amount of shares in the trust owned of record [1] and beneficially, if known, by each of the directors of the depositor or persons performing similar functions, and [fol. 79] by its chief executive, financial and accounting officers as of a date within 15 days prior to the filing of the registration statement, and, if possible, as of 1 year prior thereto.

As of a date within 15 days prior to the filing of the registration statement.

Name	Position in organization	Kind of security	Number	Aggregate liquidating value
None	.....	.....	.....	.....

As of a date approximately 1 year prior to the date named above:

Name	Position in organization	Kind of security	Number	Aggregate liquidating value
None	.....	.....	.....	.....

70. What other trust issues has the depositor created?

See Supplemental Answer.

71. Under which of the trust issues mentioned in 70 is the depositor still creating trust certificates?

No additional trust certificates are now being created in any of the trusts mentioned in 70. It is contemplated that additional Certificates will be issued under Series "L" upon the conveyance of additional property to the Trustee thereunder.

[fol. 80] 72. If any of the directors (or persons performing like functions), partners, or officers of the depositor are directors, partners, or officers of any person issuing securities held in the trust, name such directors, partners, and officers and state their relationship to such persons.

None.

73. If any of the directors (or persons performing like functions), partners, or officers of the depositor are di-

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[1] Record as used herein, wherever bearer certificates are employed, shall be the equivalent of registration.

rectors, partners or officers (or were directors, partners, or officers at the time of the underwriting herein mentioned) of any person who was an underwriter to any of the securities held in the trust, name such directors, partners, and officers and state their relationship to such person.

None:

74. Give a statement of the total remuneration, paid or estimated to be paid, by the depositor, its subsidiaries or affiliates, or their predecessors, directly or indirectly, during the past and ensuing year to each director (or person performing similar functions), and also whenever the total remuneration from all such sources paid or estimated to be paid to any other person exceeds $25,000 per year, name each such person and state each such amount.

Name	Office	Total remuneration	
		During past year	During ensuing year
None	.....	.....	.....

[fol. 81]. Supplemental Answer 70

70. What other trust issues has the depositor created?

Name of Trust	Date of Trust Agreement	Amount Authorized	Amount Issued	Amount Unissued
Series "A"	3/31/30	$100,000.	$99,500.	$500.
Series "B"	9/10/30	100,000.	99,500.	500.
Series "C"	12/23/30	100,000.	72,000.	28,000.
Series "D"	8/12/31	100,000.	100,000.	.....
Series "E"	3/18/32	100,000.	100,000.	.....
Series "F"	9/12/33	100,000.	98,500.	1,500.
Series "G"	2/ 1/34	100,000.	100,000.	.....
Series "H"	2/13/34	100,000.	79,400.	20,600.
Series "I"	4/26/34	100,000.	100,000.	.....
Series "J"	8/19/34	100,000.	36,700.	63,300.
Series "K"	11/22/33	100,000.	100,000.	.....
Series "L"	3/ 2/35	100,000.	7,700.	92,300.
Maraydun No. 1 "A"	10/ 1/34	30,000.	30,000.	.....
Maraydun No. 1 "B"	10/ 1/34	16,000.	16,000.	.....
Stamper No. 1 "A"	1/15/35	50,000.	50,000.	.....
Stamper No. 1 "AA"	1/15/35	20,000.	20,000.	.....
Stamper No. 1 "B"	1/15/35	40,000.	40,000.	.....
Stamper No. 1 "BB"	1/15/35	40,000.	40,000.	.....
Cooper No. 1 "A"	1/22/35	50,000.	50,000.	.....
Cooper No. 1 "B"	1/22/35	40,000.	40,000.	.....
Cooper No. 1 "BB"	2/ 1/35	40,000.	40,000.	.....
Consolidated "A"	10/18/34	100,000.	.....	100,000.

Series "A" to Series "L", both inclusive, are proceeded by "J. Edward Jones Royalty Trust".

City Bank Farmers Trust Company, Trustee for Series "A", "B" and "C".

American Charter Company, Trustee for Series "D", "E", "F", "G", "H", "I", "J", "K", "L", Maraydun No. 1 "A" and Maraydun No. 1 "B".

Oil Finance Corporation, Trustee for Stamper No. 1 "A", Stamper No. 1 "AA", Stamper No. 1 "B", Stamper No. [fol. 82] 1 "BB", Cooper No. 1 "A", Cooper No. 1 "B", Cooper No. 1 "BB" and Consolidated "A".

75. Give the names and addresses of the 10 largest certificate holders of record[1] and/or beneficially, if known, of the trust as of a date within 15 days prior to the filing of this registration statement, and, if possible, as of a date approximately 1 year prior thereto, naming them and the respective amounts held.

As of a date within 15 days prior to the filing of this registration statement:

	Name	Number of shares held[2]	Aggregate liquidating value thereof
1	None		
2			
3			
4			
5			
6			
7			
8			
9			
10			

[fol. 83] As of a date within 1 year prior to the date given above:

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[1] Record as used herein, wherever bearer certificates are employed, shall be the equivalent of registration.

[2] The beneficial holdings, where known, should be included with the record holdings in order to determine the position of the stockholder as one of the 10 largest.

	Name	Number of shares held[2]	Aggregate liquidating value thereof
1	None		
2			
3			
4			
5			
6			
7			
8			
9			
10			

76. State whether the depositor can assign his rights and obligations under the trust agreement, and, if so, under what conditions.

Depositor cannot assign his obligations under the Trust Agreement. While no provision is made for the assigning of his rights to receive participation trust certificates upon the conveyance of property, it is probable that these rights are assignable as he may direct the Trustee to issue certificates to him or to his nominee.

77. If the sponsor of the certificates for which this registration statement is filed is other than the depositor, give information concerning the sponsor, not hereinbefore required, similar to that concerning the depositor in items 64 to 76, inclusive.

Depositor and Sponsor are the same person.

[fol. 84] Exhibits Required to Accompany this Statement

A. A copy of the trust agreement or indenture covering the certificate for which this registration statement is filed.

B. Copies of all contracts referred to in item 42.

C. A copy of the certificates for which this registration statement is filed.

D. A copy of the "price make-up sheet" showing the calculation of the offering price required under item 36.

E. Copies of any contracts or class of contracts used or to be used between the sponsor or depositor and underwriter or dealers relating to the sale or distribution of the certificates for which this registration statement is filed.

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[2] The beneficial holdings, where known, should be included with the record holdings in order to determine the position of the stockholder as one of the 10 largest.

F. A copy of the certificate of incorporation of the depositor with all amendments thereto. If the depositor is not a corporation submit corresponding documents.

G. A copy of the bylaws of the depositor with all amendments thereto.

H. Copies of orders of all State regulatory bodies by which any certificates of the trust were or are denied or restricted in the right to be sold, mentioned in item 48.

I. A copy of the legal opinion, respecting the legality of the certificates for which this registration statement is filed.

J. The consent of counsel for the use of the opinion mentioned in exhibit I.

[fol. 85] K. The consent of the accountant to use any balance sheet and profit and loss statements included in this registration statement.

L. Consent of any other expert named as having prepared or certified any part of this registration statement, or as having prepared or certified a report or valuation for use in this registration statement, for the use of such statement, report, or valuation.

M. Copy of latest report to certificate holders.

N. Any other exhibits deemed material to the subject matter of this registration statement.

O. Submit a balance sheet of the trust assets and liabilities as of a date not more than 90 days prior to the date of the filing of this registration statement. If such balance sheet be not certified by an independent public or certified accountant, in addition to such balance sheet, submit a balance sheet of the trust assets and liabilities certified by an independent public or certified accountant of a date not more than 1 year prior to the filing of this registration statement. Such balance sheets shall be in a form substantially as follows:

[fol. 86] Balance Sheet

Statement of Trust Assets and Liabilities

Assets:[1]

Stocks at market.[2]
Bonds at market.[2]
Other securities at market.[2]
Accrued interest.
Accrued dividends.
Stock dividends.[3]
Stock rights.[3]
Stock splitups (held as receivables).[3]
Cash in hands of trustee.
Other assets (specify).

Liabilities and Capital:

Trust certificates outstanding (number and value).
Funds to be distributed to certificate holders at next distribution date.
Reserves.
Other liabilities (specify).
Surplus.

Auditor's Certificate

Submit here certification by an independent public or certified accountant in accord with article 15 of the Commission's rules.

P. Submit profit and loss statements of the trust for the latest fiscal year for which such statement is available and for the two preceding fiscal years. If the date of the fil- [fol. 87] ing of the registration statement is more than six months after the close of the last fiscal year, submit a statement from such closing date to the latest practicable date.

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[1] Furnish also a complete list of the companies whose securities compose the trust property, showing the number and kind of the securities of each company and the market price as of the date of the balance sheet.

[2] Furnish also the cost price of these securities.

[3] State the basis for the valuation of these assets.

Such statements shall be certified by an independent public or certified accountant. Such statements shall be in a form approximately as follows:

Profit and Loss Statement of the Trust

Income:

Interest earned.
Cash dividends.
Sale of stock dividends, rights, etc.
Profit or loss on sale of capital assets (supply supporting schedule).
Other income (specify).

Total Income

Expenses:

Taxes.
Trustee's fees.
Trustee's expenses.
Insurance.
Legal.
Auditing.
Other expenses (specify).

Total Expenses

Net Income:

Disposition of above net income.
Dividends to be distributed.
Transfers to surplus and reserve (specify).
Other distributions to be made (specify).
Balance.

[fol. 88] Auditor's Certificate

Submit here certification by an independent public or certified accountant in accord with article 15 of the Commission's rules.

Q. Submit balance sheets of the depositor and/or sponsor as of the last day of the fiscal year prior to the filing of the registration statement for which year a balance sheet has been prepared, and if such day is more than ninety

days prior thereto, a balance sheet of a date within ninety days prior thereto. Such balance sheets shall be in a form substantially as follows:

Balance Sheet of Depositor

Assets:

Cash (including time deposits and call loans).
Accounts receivable.
Notes receivable.
Marketable securities (at cost).
Securities of trust (at cost).
Special deposits.
Investments in affiliated companies.
Due from affiliated companies.
Furniture and fixtures.
Deferred charges.

Total Assets

Liabilities and Capital:

Notes or loans payable—Banks.
Notes or loans payable—Others.
Accounts payable—Dealers.
[fol. 89] Accounts payable—Others.
Due to affiliated companies.
Reserves.
Capital stock:
Preferred.
Less Treasury stock.
Common.
Less Treasury stock.

Total Outstanding Stock

Surplus:

Paid in surplus.
Capital surplus.
Earned surplus.

Total Liabilities and Capital

Auditor's Certificate

Submit here certification by an independent public or certified accountant in accord with article 15 of the Commission's rules. Such certification may be of one only of the foregoing balance sheets, but that one must be as of a date not more than fifteen months prior to the date of the filing of this registration statement.

R. A copy of the form of prospectus proposed to be issued in connection with the certificates for which this registration statement is filed and a copy of complete reconciliation and tie-up with the Registration Statement, prepared in accordance with Articles 16 and 17 of the Rules and Regulations.

[fol. 90] J. Edward Jones Royalty Trust

Series "M"

Trust Agreement

J. Edward Jones and American Charter Company

This Agreement, dated this 2nd day of May, 1935, made by and between J. Edward Jones, whose address is #342 Madison Avenue, City of New York, County of New York and State of New York, hereinafter called the Trustor, party of the first part; American Charter Company, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, having its office at #800 Citizens Bank Building, City of Wilmington, County of New Castle and State of Delaware, hereinafter called the Trustee, party of the second part, and the registered holders of Participation Trust Certificates, parties of the third part,

Witnesseth:

1. That for and in consideration of the sum of Ten ($10.00) Dollars, to him duly paid by the Trustee at or before the ensealing of these presents, the fulfillment of the conditions and covenants hereinafter contained, and for other good and valuable considerations, the receipt whereof is hereby acknowledged by the Trustor, the Trustor hereby

agrees and covenants to grant, bargain, sell, alien, remise, convey, confirm, assign, transfer and set over unto the [fol. 91] Trustee, and to its successors and assigns forever, properties commonly known as Oil Royalties of the total value of One Hundred Thousand ($100,000.00) Dollars, (subject to the closing of this Trust before the full $100,000.00 has been conveyed to the Trustee, as herein provided) together with all income, rents, issues, profits, royalties, claims and demands thereunto belonging or in any wise appertaining, and also all and every other estate, right, title and interest, property and appurtenances which the said Trustor may have in the said properties, including the transfer orders appurtenant thereto.

2. To have and to hold the same unto the said Trustee, its successors and assigns.

3. In trust, nevertheless, for the benefit, use and advantage of the persons, corporations, firms and partnerships who may be or become holders of the Participation Trust Certificates to be issued and delivered as hereinafter set forth, and for the enforcing of any and all rights, inuring to the owners or holders of said Participation Trust Certificates, in accordance with the true intent and meaning of the stipulations and covenants of this agreement and of said Participation Trust Certificates.

4. As deeds executed by the Trustor purporting to transfer to the Trustee property of the kind above mentioned are delivered to the Trustee, the Trustee shall forward the said deeds to the County Clerks of the Counties and States wherein the lands described in said deeds are situated, for the purpose of having said deeds duly recorded in the Trustee's name. The Trustee shall also execute and forward to [fol. 92] the Pipe Line Companies designated therein all transfer orders received from the Trustor in connection with the aforesaid properties, to the end that the account of the Trustee may be placed in line for payment; and in connection with or as a part of any such transfer orders the Trustee is hereby expressly authorized and empowered to execute, enter into or assume as Trustee any covenants, warranties or agreements, whether of title or otherwise, or consent to any conditions, which the Pipe Line Company may demand or require, and any and all such covenants, warranties, agreements or conditions shall attach to and

be binding upon the Trust property. The Trustee is further given full power and authority to execute and deliver any and all other instruments or documents and to do any and all things that may be necessary to effectuate the transferring of any and all rights in said properties to the Trustee herein.

5. Upon the return of the deeds to the Trustee showing the recordation and registration thereof in the name of the Trustee, the Trustee shall issue Participation Trust Certificates not exceeding in total the value, as declared by the Trustor, of the property described in said deed or deeds so recorded, each certificate to be for a multiple of One Hundred ($100.00) Dollars and in no case is a certificate to be issued for any other denomination, and the Trustee shall issue in the name of and deliver the said Participation Trust Certificates to the Trustor or his nominee or nominees.

6. The Participation Trust Certificates herein mentioned shall be substantially in the following form:

[fol. 93] J. Edward Jones Royalty Trust

Series "M"

Participation Trust Certificate

$—. Certificate No. M —.

This is to certify that —— ——, the registered holder hereof, is the owner of — dollars undivided participation interest in and to the properties embraced under the trust agreement executed by and between J. Edward Jones, #342 Madison Avenue, New York City, and American Charter Company, #800 Citizens Bank Building, Wilmington, Delaware, as Trustee on the — day of ——, 1935. Such interest entitles the registered holder to share with the registered holders of other certificates of the same series which may be issued under the said agreement, in the net income, net profits and net proceeds of all of said properties, according to the ratio which the face value hereof bears to the total face value of all of the certificates at any time outstanding.

Participation Trust Certificates are transferable in amounts of $100.00 or multiples thereof, but only on the

books of the Trustee and when properly endorsed; and the registered holders of such certificates issued under said Trust Agreement as shown on said books at the close of the last business day of each calendar month, shall be entitled to distribution of income made by the Trustee under the said Trust Agreement during the next succeeding calendar month.

The rights of the holders of Participation Trust Certificates and the rights and obligations of the Trustee are fully set forth in the said Trust Agreement, a copy of which [fol. 94] is on file with the Trustee at its office, #800 Citizens Bank Building, Wilmington, Delaware, and the holder hereof, by accepting this Participation Trust Certificate, agrees to all the terms and conditions contained in said Agreement.

Dated Wilmington, —— —, ——.

American Charter Company, Trustee; by —— ——, President or Vice President.

For Value Received, I/We —— —— hereby sell, assign and transfer unto —— —— an interest of — Dollars, in and to this Participation Trust Certificate, and do hereby irrevocably constitute and appoint —— —— an attorney in fact to transfer the said interest on the books of the Trustee, with full power of substitution in the premises.

Dated —— —, ——.

—— ——.

In the presence of —— ——.

7. The rights of the holders of the said Participation Trust Certificates shall be solely as set forth in the said certificates and in this agreement, and the acceptance of such Participation Trust Certificates or any of them shall constitute assent to each and every provision of this Agreement and of such Participation Trust Certificates by the [fol. 95] holder thereof, with the same force and effect as if such registered holder had executed and delivered this Agreement in person and individually named as a party thereto.

8. All Participation Trust Certificates issued hereunder shall have equal standing without priority as to one another, irrespective of the date of issue, and each Participation Trust Certificate shall share in all distributions of the trust made after its issue, according to the ratio which the

face amount of the Participation Trust Certificate bears to the total face amount of all certificates at any time outstanding hereunder. Said Participation Trust Certificates issued hereunder shall be executed by the Trustee herein and delivered to the Trustor herein or to any person, corporation, firm or partnership, nominated by and at the request of the Trustor, which request shall be in writing signed by the Trustor and which order of delivery shall be warrant, authority and protection to the Trustee for the issuance and delivery of the said Participation Trust Certificates.

9. Only such of said Participation Trust Certificates as shall be so executed and delivered by the Trustee shall participate in the benefits of this Trust Agreement, and the execution and delivery of such Participation Trust Certificates by the Trustee shall be conclusive evidence that the said Participation Trust Certificates have been duly issued hereunder and are entitled to the benefits of the said Trust hereby created. Said Participation Trust Certificates executed and delivered hereunder shall be transferable only upon the books of the Trustee in accordance with the transfer regulations of the said Trustee.

[fol. 96] 10. The Trustee shall keep books for the registration of said Participation Trust Certificates, in which it shall register, subject to such reasonable regulations as it may prescribe, all of the said Participation Trust Certificates issued hereunder, which books shall contain the names and addresses of the respective registered holders of such Participation Trust Certificates as furnished to the Trustee by such registered holders upon the issuance of such Participation Trust Certificates or upon the subsequent transfer, as the case may be.

11. No transfer of any Participation Trust Certificates shall be valid unless made upon the books of the Trustee by the registered holder thereof in person or by power of attorney duly executed. Upon presentation to the Trustee, at its said office, of any such Participation Trust Certificate duly endorsed by the registered holder thereof and in the proper form for transfer, the Trustee shall transfer said Participation Trust Certificate upon the said books, and shall authenticate and deliver a new certificate or certificates of the said aggregate face value in the name of such transferee. The Trustee may prescribe such regulations in

connection therewith as may be reasonable and may require the endorsement of such registered holders to be duly and suitably guaranteed.

12. The registered holder of any Participation Trust Certificate may transfer any part of the interest represented thereby, in the face amount of One Hundred ($100.00) Dollars or multiples thereof, and in that event the Trustee shall issue a new certificate or certificates to the [fol. 97] transferee representing the face value of the interest transferred, and a new certificate or certificates to the transferor representing the face amount retained.

13. Anything herein to the contrary notwithstanding, the registered holders of Participation Trust Certificates as shown by the books of the Trustee at the close of the last business day of each calendar month, shall be entitled to their pro rata share in all distributions of income made by the Trustee under the trust during the next succeeding calendar month.

14. The registered holder of any Participation Trust Certificate may at any time surrender such certificate to the Trustee for exchange for two or more certificates of the face value of $100.00 or any multiple thereof, not exceeding in the aggregate the face value of the certificate surrendered; and two or more certificates may in the same manner be exchanged for a single certificate of a face value equal to the aggregate face value thereof.

15. In every case of such transfer or exchange the Trustee shall forthwith cancel the surrendered certificates and retain the same, for disposal in its sole discretion.

16. The transferee of any Participation Trust Certificates issued hereunder shall pay for any stamp tax or other government charge connected therewith and shall pay the further sum of twenty-five (25¢) cents for each new Certificate issued, but otherwise there shall be no charge for transfer of certificates. A like charge of twenty-five (25¢) cents. [fol. 98] shall be paid for each new certificate issued upon the exchange of certificates for others of different face value, or representing a portion of a certificate not transferred.

17. The registered holders of the Participation Trust Certificates issued hereunder shall be the only persons hav-

ing any right, title or interest in and to such Participation Trust Certificates and such registered holders shall be recognized as the absolute owners thereof by the Trustee, who shall not be bound by any notice to the contrary, whatsoever. Payments of any and all dividends or distributions of money payable in respect to such Participation Trust Certificates to said holders of Participation Trust Certificates, as hereinafter set forth, or to the prior holders in accordance with paragraph "13" hereof shall be a complete discharge of the Trustee, notwithstanding any notice it may have received to the contrary, be the same expressed or implied or otherwise, of any right, title, interest, claim or demand of any other person, in or to such Participation Trust Certificate dividends, distributions or money.

18. It is hereby agreed that the Trustee shall retain in its possession all of the deeds or other documents of conveyance delivered to it as hereinabove set forth and in pursuance of this Trust Agreement.

19. If any Participation Trust Certificate shall be mutilated, destroyed or lost, a new certificate may be issued and authenticated on such evidence being produced as the Trustee may require, and (in case of mutilation) on the surrender of the old certificate, and (in case of destruction [fol. 99] or loss) on the execution and delivery to the Trustee of such corporate indemnity and guarantee as the Trustee may require. The Trustee shall be paid the sum of Two ($2.00) Dollars for the issuing of a new certificate in place of any such mutilated, destroyed or lost certificate, and the person availing himself of the purpose of this section shall also pay to the Trustee all expenses incident to the investigation of evidence of loss or destruction. All Participation Trust Certificates issued hereunder in lieu of mutilated, lost or destroyed Participation Trust Certificates shall be of like tenor, amount and date, bearing the same serial numbers and the President or Vice-President of the Trustee, for the time being, may sign and certify the same for delivery.

20. The Trustor or his successor or personal representative, shall at all times hereafter, upon reasonable request, make, do, execute and deliver all such other and further reasonable assurances, acts, deeds and things, as may be necessary to carry out the provisions hereof or properly to effec-

tuate the transfer of the above described property to the Trustee or its successors or assigns. The Trustor, for himself, his successors and assigns, further covenants and agrees to and with the said Trustee that the properties he will convey to the said Trustee shall be conveyed free and clear of all encumbrances, and that he will execute any further necessary assurances of the title to said property and will forever warrant said title for the benefit of the Trustee as well as of the registered holders of Participation Trust Certificates.

[fol. 100] 21. All municipal, state and Federal taxes, fees and charges, Trustee's expenses and supervision expenses, shall be a lien upon the property composing the trust fund herein, and/or its income and shall be paid out of the income, if any, and if there be no income, then out of the principal of the trust fund herein. Anything herein to the contrary notwithstanding the Trustee shall have full discretionary powers as to the manner of how, when and from what property or income herein the said taxes, fees and charges may be paid.

22. If at any time there be unpaid any Municipal, State or Federal tax, fee or charge or other fees and/or charges, and there be no income in the hands of the Trustee from which to pay the same, then the Trustee, itself, or by any agent or attorney selected by it, may proceed to sell all or any of the property, the corpus of the trust herein, and all of the right, title, and interest, claim and demand therein, but always only sufficient to discharge such taxes, fees and charges, at public or private sale in the City of New York, or at such other place or places, and at such time or times and upon such terms as the Trustee may fix.

23. Notice of said sale, if public, may be given by publication in one newspaper of general circulation in the Borough of Manhattan, City and State of New York, once a week for four (4) consecutive weeks, the last publication being the date set for the sale. The Trustee may adjourn, from time to time, any public sale hereunder by announcement made at the time and place appointed for such sale or adjourned sale [fol. 101] and without further notice or publication it may make such sale at the time and place to which the same shall be so adjourned.

24. (a) The trust hereby created shall continue for a period of twenty-one years from the date hereof unless sooner terminated in the manner hereinafter set forth. If at the expiration of said twenty-one year period, this Trust has not been liquidated in some manner herein provided, the Trustee then in office, then, immediately shall proceed to liquidate and wind up the affairs of said Trust and shall distribute to the registered holders of the Participation Trust Certificates, after all proper liquidation expenses and other expenses and claims have been paid, the property, or the proceeds from the sale of the property of the Trust. In thus liquidating and winding up said Trust and its properties, the Trustee shall have the absolute right to sell or dispose of the whole or any part of said properties, either at public or private sale, without consulting or procuring the consent of the registered holders of the Participation Trust Certificates or the consent of any one of them, the same as though the properties were the individual properties of the Trustee and anyone purchasing any part thereof shall not be required to make inquiry in any way whatsoever, either as to the right or authority of the Trustee to make the sale, or to make inquiry as to the manner in which the Trustee intends to handle, distribute, or dispose of the proceeds derived from the sale of the properties or any part thereof. Before a holder of Participation Trust Certificates shall be entitled to receive his or her proportionate part of the proceeds or of the properties upon liquidation said holder shall [fol. 102] be required to surrender a Certificate or Certificates representing his or her right or rights of Participation.

(b) The Trustee may sell and convey all or any part of the Trust property upon receiving in advance the written consent to such sale and conveyance from the owners of two-thirds in amount of the Participation Trust Certificates in this Trust then issued and outstanding, but notwithstanding such consent, the Trustee shall not be obliged so to do.

(c) The Trustee may liquidate and wind up this Trust and make a sale of all of its property or may distribute all of its property to the holders of Participation Trust Certificates in such manner and at such times prior to the expiration of the twenty-one year period as the owners of two-thirds in amount of the Participation then issued and outstanding may consent in writing, but notwithstanding such consent, the Trustee shall not be obliged so to do.

25. The Trustee shall apply the proceeds of any sale of the trust property herein as follows:

1. The payment of all taxes, charges, fees, costs and disbursements and expenses incurred by the Trustee, including all attorneys' fees.

2. The division of the balance, if any, among the record holders of said Participation Trust Certificates, pro rata as their interest may appear.

26. All rights of action under this indenture or under any of the property composing the corpus of this trust herein [fol. 103] can only be enforced by the Trustees hereunder, which rights of action may be enforced without the possession of any such Participation Trust Certificate or the production thereof at the trial or other proceedings relative thereto and any such suits or proceedings instituted by the Trustee shall be brought in its name as Trustee and any recovery of judgment shall be added to the corpus of the trust or distributed as hereinabove set forth as the source and nature of such recovery in the determination of the Trustee may require.

27. The Trustee shall not be answerable for the default or misconduct of any agent or attorney appointed by it in pursuance hereof, if such agent or attorney shall have been selected with reasonable care, or for anything whatever in connection with this trust, except its own wilful misconduct or gross negligence.

28. The Trustee shall not be under any obligations to institute, appear in, conduct or defend any suit or litigation or to take any action towards the execution or the enforcement of the trust hereby created, which in its opinion will be likely to involve it in expense or liability unless one or more of the holders of the Participation Trust Certificates shall as often as required by the Trustee, furnish indemnity satisfactory to the Trustee against such expense or liability. Anything herein contained to the contrary notwithstanding, the foregoing provisions of this paragraph are intended only for the protection of the Trustee, and shall not be construed to limit or affect any discretion or power by any provision of this indenture given to the Trustee to determine whether or not it shall take action in re- [fol. 104] spect of any default, or any power or discretion of the Trustee to take action in respect of any default, not-

withstanding the lack of notice or request to do so from the holders of the Participation Trust Certificates herein.

29. The Trustee shall incur no liability to anybody in acting upon any notice, request, consent, certificate, note, document or paper believed by it to be genuine and to have been signed by the proper person.

30. The recitals and statements herein and in the Participation Trust Certificates contained shall be taken as statements by the Trustor and shall not be considered as made by or imposing any obligations or liability upon the Trustee herein.

31. The Trustee shall not be held responsible for the title or value of any property or for the validity of any deed or instrument herein referred to, and it shall not be under any duty to inform itself as to the value of such property or validity of such deed, nor shall the Trustee be held responsible for the proper recording of any deeds or other instruments, or for the sufficiency of any transfer orders from the Trustor or acceptance or recognition thereof by any Pipe Line Company.

32. The Trustee may employ agents and attorneys in the execution of the trusts hereof and may consult with legal counsel, including counsel of the Trustor, and any action under this indenture taken or suffered in good faith by the Trustee in accordance with the opinion of such counsel shall [fol. 105] be conclusive in favor of the Trustee as against the Trustor and all holders of Participation Trust Certificates, and shall fully protect the Trustee in respect thereof.

33. The Trustee shall have and it is hereby granted a first lien upon all of the trust property herein, for all its fees, charges, etc., which shall be as follows:

From the Trustor:

1. Attorney and counsel fees in connection with this agreement or in connection with any matter arising thereunder including counsel fees for the preparation of this trust agreement for the preparation and filing of any registration statement or prospectus with state or federal authorities; provided that the expenses for counsel fees in the preparation of this trust agreement and in completing the preparation of the registration statement, the

prospectus or other documents to be filed with said state or federal authorities and all other services up to the time that any said registration statement shall become effective shall not exceed the sum of $5,000.00.

2. All disbursements for the recordation of all documents to be registered in accordance with the terms of this agreement.

3. $1.00 per each certificate issued by the Trustee.

From the trust property or its income:

4. For the maintenance of each account upon books of the Trustee—25¢ per annum.

[fol. 106] 5. For the payment or distribution of the income or receipts of this trust to the certificate holders—5% of the gross receipts or income. Said 5%, however, shall not be less than the sum of 15¢ per check issued by the Trustee.

6. For all out of pocket expenses of the Trustee, including postage, books of account, checks, stationery and other necessary supplies used in connection with the administration of the Trust.

34. The Trustee, at will, may resign by giving a two months' written notice to the record holders of the Participation Trust Certificates herein, specifying the date such resignation shall take effect and containing the names of five (5) holders of record highest in amount of Participation Trust Certificates hereunder. Such resignation shall take effect on the date specified in such notice and the Trustee herein shall not be required to do any other thing save that of delivering the trust property and trust books herein to the successor trustee when, if and as such be appointed. No delivery of property herein shall be made until all of the fees, disbursements, charges and costs, including attorneys' fees, incurred by said Trustee shall have first been paid.

35. The five (5) record holders aforesaid, or a majority of them, may appoint a temporary Trustee by an instrument or concurrent instruments in writing signed by them and delivered to such temporary Trustee to fill such vacancy until a new Trustee shall be appointed by the

[fol. 107] registered holders of Participation Trust Certificates issued and outstanding hereunder. Such temporary Trustee so appointed shall send notices of such appointment to all of the record holders of the Participation Trust Certificates issued and outstanding hereunder and shall include in said notice the name of a corporation proposed by him for appointment as a Trustee and unless the holders of a majority in amount of Participation Trust Certificates then issued and outstanding shall within ten days after the date of mailing of such notice register an objection thereto the temporary Trustee shall appoint the corporation so named as successor Trustee.

In the event of objection to the corporate trustee so selected, by the holders of a majority in amount of Participation Trust Certificates then issued and outstanding, within ten days after the date of mailing of such notice, the temporary trustee shall select another corporate trustee whose name shall be submitted, as hereinabove provided, and shall continue to select successive corporate Trustees until one is selected against whose appointment no objection as herein provided is made.

36. It is hereby agreed that at all of the times during the life of this trust, all charges, fees, disbursements, and costs, including attorneys' fees, incurred by the Trustee, shall be a lien upon the trust fund, trust property or income of the same herein, until fully paid and satisfied.

37. In the event that a corporation which will accept the office of Trustee herein cannot be found, then the five (5) holders of record highest in amount may organize a cor- [fol. 108] poration under the laws of any state of the United States, which corporation shall be appointed as the successor Trustee which will succeed as Trustee in the manner set forth in paragraph "35" herein.

38. Any such new Trustee appointed hereunder shall execute and deliver to the Trustee last in office, an instrument in writing accepting such appointment hereunder, and thereupon such new Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors in the trust hereunder, with like effect as if originally named as Trustee herein. On the written request of the new Trustee, but not until the re-

ceipt of full payment of its reasonable compensation, expenses and disbursements as hereinabove provided, the Trustee ceasing to act shall execute and deliver any instrument transferred to such new Trustee upon the trust herein expressed, all the estates, properties, rights, powers and trusts of the Trustee so resigning or removed, and such retiring Trustee shall duly assign, transfer and deliver all the trust property held hereunder by such Trustee to the new Trustee, so appointed, in its place, and shall make, execute, acknowledge and deliver any and all assignments or other instruments in writing reasonably required to vest and confirm to such new Trustee all such property, rights, powers and duties.

39. Any company or corporation to which the Trustee or any successor to it may be merged or consolidated, or any company or corporation resulting from any merger or consolidation of which the Trustee or any successor [fol. 109] shall be a part, shall be the successor Trustee under this agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto.

40. It is hereby covenanted and agreed that no advertisement, circular or other printed matter will be issued herein by any of the parties hereto concerning the Participation Trust Certificates or this agreement, in which the name of the Trustee is mentioned, without first submitting the same to the Trustee and its consent first had and obtained.

41. The Trustor or Trustee may each become the owner or holder of Participation Trust Certificates herein with the same rights as other holders thereof.

42. The Trustee shall not be liable for any payments made or suffered by it to be made in good faith to any governmental authority for taxes upon the cash and/or other property, the subject of this trust, or upon the Participation Trust Certificates, and/or interest, and/or dividends payable thereon herein.

43. The Trustee may rely upon the advice of counsel and upon statements of accountants, brokers or other persons believed by it in good faith to be expert in relation to the matter upon which they are consulted and for anything

done or suffered to be done in good faith based upon such advice and/or information.

44. The Trustee shall not be liable for any representation or information or advice given by any other party [fol. 110] than itself. By no implication and/or construction whatsoever shall any liability be placed upon the Trustee in this agreement except such liability as is expressly assumed by the Trustee.

45. The Trustee shall not be under any duty whatever to inquire into the meaning, application, purpose or effect of any covenant, warrant, agreement or condition which it may enter into, assume or consent to, in connection with or as a part of any transfer order received from the Trustor; and it may enter into, assume and consent to any such covenant, warranty, agreement or condition which may be demanded by any Pipe Line Company, without responsibility therefor to the Trustor or to the holders of Participation Trust Certificates, no matter what may be the meaning, application, purpose or effect thereof, and no matter what notice, actual or constructive, the Trustee may have in respect thereto. And in the event that the Trustee should be held liable to pay to any Pipe Line Company or to any other person or corporation any sum of money because of any such covenant, warranty, agreement or condition, the Trustee shall be entitled to reimburse itself from the trust property, from the income, the principal, or both, in its discretion, for any sum so paid, and also for any expense of investigation or for counsel fees, or otherwise in connection therewith. And if any claim is made against the Trustee because of any such covenant, warranty, agreement or condition, the Trustee may in its uncontrolled discretion compromise or pay such claim, and shall in that event be entitled to like reimbursement. In the event that the trust property shall be insufficient to reimburse the Trustee as in this paragraph and elsewhere [fol. 111] in this instrument provided, the Trustor covenants and agrees to make good the deficiency, and such covenant shall be binding on the executors, administrators, heirs and assigns of the Trustor.

46. Any notice which the Trustee may be required to give herein may be given by the usual first class mail facilities furnished by the United States postal department.

47. Out of the income of the trust fund herein created, the Trustee shall set apart one-half of one per cent as a reserve fund, which reserve fund is to be used first, for the payment of any fee, charge and cost, including attorneys' fees, that may be incurred herein when such cannot be paid from the current income. Upon the said reserve fund reaching the sum of Two Thousand ($2,000.00) Dollars, no more shall be added except to replace disbursements therefrom.

48. The value of properties deeded or to be deeded by the Trustor shall be deemed the value declared by the Trustor to the Trustee, in writing, at the time of the delivery of such deed; and the Trustee shall accept such value in the issuance of Participation Trust Certificates. The total face value of all Participation Trust Certificates at any time outstanding hereunder shall not be more than the total value of the said properties as so declared by the Trustor.

49. All provisions of this agreement are to be read as a whole without reference to numerical, chronological or other sequences.

50. The ownership of Participation Trust Certificates hereunder shall not create any partnership between the [fol. 112] said holder and the Trustee nor between the holder and the Trustor nor between or among the holders of said Participation Trust Certificates nor shall the Trustee have any right or authority to create a partnership between said Trustee and any other person, persons, firm, firms, corporation or corporations with reference to the Trust estate, but at all times, the Trustee shall have the sole and exclusive right and it shall be its duty to manage the business of the Trust estate and no holder of any Participation Trust Certificate issued hereunder shall have any right to interfere with the Trustee's management and control of the Trust estate. No holder of Participation Trust Certificates hereunder shall have the right to require or compel by court action or otherwise the partition or distribution of the assets or property of the Trust estate, or of any part thereof, prior to the termination of the period for which this Trust is created, but Certificate holders may consent thereto in the manner hereinabove set forth.

51. Notwithstanding the covenant of the Trustor to convey to the Trustee oil royalties of the total value of $100,000.00 as set forth in paragraph 1 of this Agreement, unless

within one year from the date of this Agreement, the Trustor has not conveyed oil royalties of the total value of $100,000.00, the Trust shall then be closed and Certificates shall be issued only for the value of properties which have been conveyed to the Trustee at the declared value thereof as set forth in paragraph 48 herein.

In Witness Whereof, the Trustor has set his hand and seal, and the Trustee has caused these presents to be exe-
[fol. 113] cuted by its proper officer and its seal affixed hereto, this 2nd day of May 1935.

(Sgd.) J. Edward Jones, Trustor (L. S.)

Witness (Sgd.) Florence Paine.

American Charter Company, Trustee, by (Sgd.) Harry K. Hoch, Vice President.

Attest (Sgd.) R. J. Brenneisen, Secretary.

STATE OF NEW YORK,
County of New York, ss.:

On this 3rd day of May 1935, before me came J. Edward Jones, to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.

Florence Aten Ives, Notary Public. (Seal.)

STATE OF DELAWARE,
County of New Castle, ss:

On this 3rd day of May 1935, before me came Harry K. Hoch, to me known, who, being by me duly sworn, did depose and say that he resides in Wilmington, Delaware; that he is the Vice President of the American Charter Com-
[fol. 114] pany, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the order of the Board of Directors of said Corporation, and that he signed his name thereto by like order.

(Sgd.) James W. Lattomus, Notary Public. (Seal.)

Certificate No. M. $—.

J. Edward Jones Royalty Trust

Series "M"

Participation Trust Certificate

This is to Certify that —— —— the registered holder hereof, is the owner of — dollars undivided participation interest in and to the properties embraced under the trust agreement executed by and between J. Edward Jones, #342 Madison Avenue, New York City, and American Charter Company, #800 Citizens Bank Building, Wilmington, Delaware, as Trustee on the second day of May, 1935. Such interest entitles the registered holder to share with the registered holders of other certificates of the same series which may be issued under the said agreement, in the net income, net profits and net proceeds of all said properties, according to the ratio which the face value hereof bears to the total face value of all of the certificates at any time outstanding.

Participation Trust Certificates are transferable in amounts of $100, or multiples thereof, but only on the books [fol. 115] of the Trustee and when properly endorsed; and the registered holders of such certificates issued under said Trust Agreement as shown on said books at the close of the last business day of each calendar month, shall be entitled to distribution of income made by the Trustee under the said Trust Agreement during the next succeeding calendar month.

The rights of the holders of Participation Trust Certificates and the rights and obligations of the Trustee are fully set forth in the said Trust Agreement, a copy of which is on file with the Trustee at its office, #800 Citizens Bank Building, Wilmington, Delaware, and the holder thereof by accepting this Participation Trust Certificate, agrees to all the terms and conditions contained in said agreement.

Dated Wilmington, Delaware, —— — ——.

American Charter Company, Trustee, by ——,
Vice-President.

J. Edward Jones, 342 Madison Avenue, New York, N. Y.
American Charter Co., 800 Citizens. Bank Bldg., Wilmington, Delaware.

GENTLEMEN:

I, E. J. Lundy, of the firm of Poe, Lundy & Morgan, 1308 Hunt Bldg., Tulsa, Oklahoma, do hereby certify that I have [fol. 116] prepared, and examined after preparation, the Trust Agreement entered into between J. Edward Jones of 342 Madison Avenue, New York, N. Y., and American Charter Company of 800 Citizens Bank Building, Wilmington, Del., creating the J. Edward Jones Royalty Trust Series "M" and the form of Participation Trust Certificate to be issued thereunder.

I certify that in my opinion these instruments are in all things legal and that holders of Participation Trust Certificates will be entitled to receive their pro rata share of net income, net receipts and net proceeds derived from said J. Edward Jones Royalty Trust Series "M" in accordance with and subject to the provisions of the Trust Agreement of May 2, 1935.

I hereby consent that this letter and certificate respecting the validity of the Trust Agreement and of the said Participation Trust Certificate may be used in the registration of the said securities and of the Participation Trust Certificates to be issued and that said letter and certificate may be and become a part of the Registration Statement and a part of any Prospectus to be issued under or by virtue of said registration.

May 2, 1935. Yours respectfully, E. J. Lundy.

[fol. 117] J. Edward Jones Royalty Trust

Series "M"

New York City, New York

Balance Sheet

May 2, 1935

Assets

Current Assets:	
Cash	None
Total Cash Assets	None
Fixed Assets	None
Total Assets	None

Liabilities

Current Liabilities		None
Other Liabilities		None
Total Liabilities		None
Capital:		
Authorized Units of Beneficial Interest—1,000 from which net proceeds are to be received @ $100.00 each	$100,000.00	
Unissued Units of Beneficial Interest—1,000	100,000.00	
Outstanding Units of Beneficial Interest		None
Total Liabilities and Capital		None

NOTE.—Contingent Liability of a sum not to exceed $5,000.00 for attorneys fees and legal fees accruing to Trust, when, as and if executed. (See paragraph 33 of Trust Agreement.)

[fol. 118] Auditor's Certificate

I, Frederick W. Scholz, hereby certify as follows:

I am a certified public accountant of the State of New York, and practice the profession at 17 East 42nd Street, New York City, New York; I have no connection with J. Edward Jones Royalty Trust—Series "M" other than the usual relationship of an independent accountant to his client.

I have examined the records and files of J. Edward Jones Royalty Trust—Series "M" and have prepared therefrom the foregoing Balance Sheet, and I certify that, in my opinion, this Balance Sheet shows the correct financial position of J. Edward Jones Royalty Trust—Series "M" as of May 2, 1935, which is prior to the offering or sale of any interests to the public.

Subject to the foregoing comments, I have, after reasonable investigation, reasonable grounds to believe, and do believe, at the date of this certificate, that the statements contained in the attached Balance Sheet truly and fairly reflects the application of accepted accounting practices to

the facts disclosed by our investigation, and that there is no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

In accordance with the requirements of Section 7 of the Federal Securities Act, I hereby give my consent to the use of my name as having certified the part of the registration statement (or the papers or documents in connection with the registration statement) as herein above set forth.

Frederick W. Scholz, Certified Public Accountant, New York.

[fol. 119] J. Edward Jones Royalty Trust

Series "M"

New York City, New York

Profit and Loss Statement

May 2, 1935

Income	None
Expenses	None
Net Income	None

Auditor's Certificate

I, Frederick W. Scholz, hereby certify as follows:

I am a certified public accountant of the State of New York, and practice the profession at 17 East 42nd Street, New York City, New York; I have no connection with J. Edward Jones Royalty Trust—Series "M" other than the usual relationship of an independent accountant to his client.

I have examined the records and files of J. Edward Jones Royalty Trust—Series "M" and have prepared therefrom the foregoing Balance Sheet and Profit and Loss Statement, and I certify that, in my opinion, this Balance Sheet with supporting schedules and this Profit and Loss Statement show the correct financial position of J. Edward Jones Royalty Trust—Series "M" as of May 2, 1935, which is prior to the offering for sale of any interests to the public.

Subject to the foregoing comments, I have, after reasonable investigation, reasonable grounds to believe, and do believe, at the date of this certificate, that the statements contained in the attached Balance Sheet and in the attached [fol. 120] Profit and Loss Statement truly and fairly reflect the application of accepted accounting practice to the facts disclosed by my investigation, and that there is no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

In accordance with the requirements of Section 7 of the Federal Securities Act, I hereby give my consent to the use of my name as having certified the part of the registration (or the papers or documents in connection with the registration statement) as herein above set forth.

Frederick W. Scholz, Certified Public Accountant, New York.

[fol. 121] New York City, New York, May 2, 1935.

Suggested Form of Reconciliation and Tie Shown in Prospectus Dated May 4, 1935 With That in Registration Statement Form C-1

Prospectus page and number of paragraph	Registration statement item number
p. 1 Par 4	2, 9, Exhibit A
p. 2 " 1, 2, 3	4, 6, 7, 8, 9
p. 2 " 4	26, Exhibit A
p. 3 " 1	25, 32
p. 3 " 2	11
p. 3 " 3	15, 16, 29
p. 3 " 4	15, 16, 29
p. 4 " 1	20
p. 4 " 2	15, 20
p. 4 " 3	24
p. 4 " 4	25
p. 5 " 1	28
p. 5 " 2	29, 30, 31
p. 5 " 3	32
p. 5 " 4	33
p. 5 " 5	36
p. 5 " 6	39

Prospectus page and number of paragraph	Registration statement item number
p. 6 " 1	36, 39, 42, 45
p. 6 " 2	43, 44
p. 6 " 3	46
p. 6 " 4	58, 59, 60
p. 7 " 1	62
p. 7 " 2	60, Exhibit A
p. 7 " 3	76
p. 7 " 4	3
p. 7 " 5	21, 23, 24
p. 7 " 6	23, 24, 43
p. 8 " 2	42, 45
p. 8 " 3	35, 41
p. 8 " 4	61

[fol. 122] Prospectus

May 4, 1935

J. Edward Jones Royalty Trust Series "M"

American Charter Company, 800 Citizens Bank Bldg., Wilmington, Delaware, Trustee and Registrar

J. Edward Jones, 342 Madison Avenue, New York, N. Y., Depositor and Sponsor

Copies of the Registration Statement on file with the Securities and Exchange Commission, Washington, D. C., may be procured from the Commission upon payment of the legal charge therefor. Neither the fact that such Registration Statement has been filed with the Commission nor the issuance of this Prospectus under the rules and regulations prescribed shall be deemed a finding by the Commission that this Prospectus is true and accurate on its face or does not omit to state a material fact, or to mean that the Commission has in any way passed upon the merits of or given approval to such Prospectus or the security mentioned therein.

J. Edward Jones Royalty Trust Series "M" is limited to 1,000 fully participating authorized units offered in denominations of one unit, or more, at $100 per unit.

The right is reserved to reject any and all *pa*plications, in whole or in part, to sell or allot less than the amount applied for and to close the offering without notice.

[fol. 123] Under date of May 2, 1935, J. Edward Jones, 342 Madison Avenue, New York, N. Y., entered into a Trust Agreement with American Charter Company, 800 Citizens Bank Building, Wilmington, Delaware, by which Trust Agreement J. Edward Jones agreed to transfer, sell and convey to said American Charter Company, named as Trustee, oil producing royalties free, clear and unencumbered to the amount of $100,000 in declared value. J. Edward Jones, as Depositor and Sponsor of this issue, has the sole right to declare the values of the royalties so conveyed to the Trustee and the Trustee, under said Trust Agreement, is bound to accept the declared value placed thereon by J. Edward Jones. Upon the transfer of any portion of the $100,000 worth of oil royalties, as aforesaid, the Trustee is to issue to J. Edward Jones, or to his nominees, Participation Trust Certificates in units of $100, or multiples thereof, which Participation Trust Certificates entitle the holder thereof to participate in the net income, net receipts and net proceeds received by the Trustee from the sale of oil from the oil royalties which the number of units expressed in the Certificate bears to the whole number of units then issued and outstanding.

In the event that J. Edward Jones does not convey oil royalties to the full aggregate amount of $100,000 at the declared value within the date of one year from May 2, 1935, the trust will be closed and no more property will be conveyed to the Trustee against which Certificates may be issued. The units have a declared value of $100 per unit and the aggregate amount of units in value cannot exceed [fol. 124] the value of the oil properties conveyed to the Trustee at the declared value thereof.

The proposed date of the initial public offering of the Certificates is May 24, 1935. The Participation Trust Certificates are of the distributive, not cumulative, type and the holder of a Certificate is entitled only to the pro rata distributive share in the hands of the Trustee, subject to the right of the Trustee to pay from the income, taxes, expenses, recording fees and other incidental expenses, and subject to the right of the Trustee to reserve the sum of $2,000 out of ½ of 1% of the income.

The reserve thus created is to be used first for the payment of any fee, charge and cost, including attorney's fees, that may be incurred therein.

The income of the trust will be charged for the expense of the drawing of the Trust Agreement, the preparation of the Registration Statement and Prospectus and the filing thereof and such work as may be necessary in complying with the rules and regulations of the Securities and Exchange Commission so that the Registration Statement may become effective. This amount is limited by the Trust Agreement to the sum of $5,000.

The entire properties constitute the one unit and the corpus of the estate held by the Trustee for the benefit of holders of the Certificates is not to be divided in separate units of property. No properties have been conveyed to the Trustee; but the property which is to compose the trust is to be purchased by J. Edward Jones, 342 Madison Avenue, New York, N. Y., who is also named as the Depositor and Sponsor.

Property once acquired by the Trustee by the convey- [fol. 125] ance thereof to him from J. Edward Jones cannot be eliminated from the trust; but under the provisions of the Trust Agreement the Trustee may sell or dispose of all or a portion of the properties of the trust with the consent in writing of holders of two-thirds in amount of the aggregate of the Certificates issued and outstanding at the time of consent. The trust must be liquidated by the Trustee immediately after the expiration of twenty-one years from the date of its formation, May 2, 1935, and may be terminated sooner by liquidation upon the consent in writing of the holders of two-thirds of the aggregate amount of Certificates then issued and outstanding. The Trustee has no authority to purchase other properties with the proceeds of any property sold; but the proceeds will be distributed to Certificate holders prorata.

Notwithstanding the consent of the holders of two-thirds of the aggregate of the Certificates issued and outstanding either to the liquidation prior to the twenty-one year period or to the sale of all or any part of the property, the Trustee is not required to make such sale or such liquidation, though he may do so upon receiving such consent.

No other properties can be substituted for the property conveyed to the Trustee; there are no dividends, rights or split-ups accruing to the Certificate holders and the Cer-

tificate holders have no right to exercise a vote in respect to the securities held in the trust, except the right of the consent in writing of the holders of two-thirds in the aggregate, as above set forth.

No other person, except J. Edward Jones, has the right to select properties to be conveyed to the Trustee. There [fol. 126] are no Certificate holders of this trust and no distributions have been made. The dates of distribution of distributive moneys have not been fixed, but it is the purpose and plan to make distributions monthly where the net proceeds available for distribution warrant it.

The income of the trust is received monthly in the form of checks from and of the Oil Purchasing Companies purchasing the oil from the royalty interest comprising the trust estate. No interest will accrue on those moneys so deposited and no person has the use of any undistributed income or moneys of the trust.

The Trustee, in addition to the counsel fees not to exceed $5,000, is granted a lien upon the trust properties for all its fees and charges, which include the cost of recording all documents, $1.00 for each document, and is entitled to a lien on the trust property, or its income, of 25¢ per annum for each account upon its books, for 5% of the receipts or income for its services in the payment of distribution of the income and for incidental expenses, including postage, books of account, checks, stationery and supplies. All Municipal, State and Federal taxes, fees and charges, as well as the Trustee's expenses and supervision expenses are a lien upon the property. No other lien may be created against the trust property.

No provision is made for the termination of the interest of the holder of the Trust Certificates; but he may sell and assign his Certificate to another and the assignee may procure a new Certificate in lieu thereof.

The trust cannot be extended as an entirety beyond twenty-one years from May 2, 1935. At the expiration of [fol. 127] the twenty-one years from May 2, 1935, unless the trust has been terminated sooner by the consent in writing of the holders of two-thirds in amount of the aggregate of the Certificates then issued and outstanding, the Trustee then in office shall liquidate the same and distribute the moneys or the properties, after paying all claims, expenses and liquidation charges. No fixed

amount for liquidation charges is provided; but the Trustee will be entitled to reasonable fees for its services.

The proceeds of any sale of the trust property is first applied to the payment of taxes, charges, fees, costs, disbursements and expenses incurred by the Trustee, including attorney's fees, and the balance divided prorata among the holders of Participation Trust Certificates.

No method is provided for giving notice to the holders of Certificates of the termination of the trust at the end of the twenty-one year period, or upon termination sooner by consent in writing of the holders of two-thirds of the Certificates then issued and outstanding.

The price of the Certificates is calculated on the declared value of the property conveyed to the Trustee, the stated aggregate value of the Certificates at $100 per unit equalling the declared value of the property conveyed to the Trustee.

J. Edward Jones will be entitled to any difference between the price at which the properties are purchased by him and the price of the declared value to the Trustee at the time of the conveyance of the properties to the Trustee.

Upon the conveyance of the properties to the Trustee J. Edward Jones will be entitled to receive Certificates in an [fol. 128] aggregate amount equalling the declared value of the property so conveyed and will be entitled to retain the proceeds of the sale of Certificates made by him or through him. All expenses of the sale of Certificates, commissions or otherwise, is to be paid by J. Edward Jones and no charge can be charged against the Trustee or the trust property or against the income of the trust property for the sale or marketing of the Participation Trust Certificates. The Trustee will not pay any commissions for the purchase of any properties conveyed to it which constitute the corpus of this trust.

Holders of Participation Trust Certificates will receive a report each time a periodic distribution is made and an annual audit will be made and a concise report thereof forwarded to the Certificate holders annually. This audit and report will cover all receipts, expenses, reserves and disbursements. Frederick W. Scholz, 15 East 42nd St., New York, N. Y., is the person named to make the annual audit.

Certificates are to be sold at the uniform price of $100. per unit and there will be no variation in price at which the Certificates are offered to the public. Certificate holders

have no re-investment rights and the purchase price will be payable in cash and not in installments.

No provision is provided for the removal of the Trustee; but he may resign at any time. Upon his resignation the five holders of Participation Trust Certificates largest in amount select a temporary Trustee. The temporary Trustee upon his selection notifies the holders of Participation Trust Certificates and suggests the name of a successor Trustee. Unless objection is made within ten days by hold-
[fol. 129] ers of a majority in amount of the Certificates then outstanding the person so suggested and selected by the temporary Trustee becomes successor Trustee.

The Trustee being a corporate entity its duties may be performed by the officers of the corporate Trustee, but no duties other than clerical and ministerial are to be performed by any person other than the Trustee.

The Trustee is not answerable for the default or misconduct of any agent or attorney appointed by it, if such agent or attorney shall have been selected with reasonable care, and is answerable only for its own wilful misconduct or gross negligence. The Trustee is not to be held responsible for either the value or title of property conveyed to it or for the validity of any deed or instrument making such conveyance.

The Depositor cannot assign his obligations to make the conveyance of properties hereunder, or any other obligations enjoined upon him by the Trust Agreement; but he may sell or assign any Trust Certificates received by him, and both the Trustee and Depositor (Sponsor) may own and hold Participation Trust Certificates herein.

The validity of the Trust Agreement and of the Certificate to be issued thereunder, has been passed upon by E. J. Lundy, Attorney, 1308 Hunt Building, Tulsa, Oklahoma, Floyd Toomey, % Alvord & Alvord, Munsey Building, Washington, D. C., is named as the person authorized to receive service and notice of all notices and orders which may be issued by the Securities & Exchange Commission relative to the Registration Statement.

[fol. 130] No regular stated or uniform dividend or distribution is promised; but each holder of a Participation Trust Certificate is to receive his or her proportionate share of the net income, net receipts and net proceeds arising from the purchase price of oil from royalties constituting the trust estate.

J. Edward Jones Royalty Trust Series "M" is merely the name of the trust and is neither a corporation nor an express or common law trust.

No certificates can be issued by the Trustee until properties have been conveyed to the Trustee, as provided in the Trust Agreement, and units cannot be issued in excess of the amount of the declared value of properties conveyed to the Trustee.

At the date of this Prospectus, May 4, 1935, no properties have been conveyed by J. Edward Jones to the Trustee and, therefore, no certificates are issued and outstanding. The Trustee and J. Edward Jones Royalty Trust Series "M" having no property or assets forming the corpus or estate of the trust at the date of this Prospectus and having performed no business, has no Profit and Loss Statement and no Balance Sheet, except a negative one, showing no property, no income, no assets and no liabilities. When property is conveyed to the Trustee, against which the Participation Trust Certificates may be issued, the cost of preparing the Trust Agreement, the Registration Statement and performing the services relative to filing the same will be charged against the property of the trust.

The American Charter Company, the Trustee, is a corporation having perpetual existence; is organized under the [fol. 131] laws of the State of Delaware and is doing business therein.

Signature of the Issuer

A. If a corporation:

.....

[Seal.] By .....
(Title)

By .....
(Title)

Attest:

.....
(Title)

.....
Principal Executive Officer

.....
Principal Financial Officer

.....
Principal Accounting Officer

A Majority of the Board of Directors.

. . . . . .

. . . . . .

. . . . . .

. . . . . .

. . . . . .

[fol. 132] B. If a partnership. (All members thereof should sign):

. . . . . .

. . . . . .

. . . . . .

J. Edward Jones Royalty Trust Series "M", by —— ——, Issuer.

———

[fol. 133] Exhibit B Annexed to Petition for Review

Western Union

M167 174 1 Extra DL Govt 1/144 = 1 M I Washington DC 23 535 P =

J Edward Jones, care Floyd Toomey =
Care Alvord and Alvord Munsey Building Wash DC=

Notice is hereby given that upon examination of the Registration Statement of J Edward Jones filed May four nineteen hundred thirty five file two dash one four naught eight It appears to the Securities and Exchange Commission that such statement includes untrue statements of material facts and omits to state material facts required to be stated therein and material facts necessary to make the statements therein not misleading in items thirteen comma twenty one comma twenty two comma twenty three comma twenty four comma thirty six comma thirty nine comma forty comma forty five comma forty eight comma fifty one comma fifty three comma sixty one comma seventy one comma Exhibits E comma H comma Q comma and the prospectus stop Hearing in this matter will be held at the office of the Commission in Washington DC at ten AM Thursday June six nineteen hundred thirty five at which time and place registrant [fol. 134] may appear and show cause why a stop order

should not be issued suspending the effectiveness of such registration statement =

Francis P Brassor Secretary Securities and Exchange Commission.

EXHIBIT C ANNEXED TO PETITION FOR REVIEW

Subpoena Duces Tecum

United States of America

Securities and Exchange Commission

To J. Edward Jones, 342 Madison Avenue, New York, New York:

You are hereby required to appear before William Green, an officer of the Securities and Exchange Commission, at Room 1102, 1778 Pennsylvania Avenue, N. W. in the City of Washington, D. C. on the 18th day of June, 1935, at 10 o'clock a. m. of that day, to testify in the Matter of J. Edward Jones, File No. 2-1408.

And you are hereby required to bring with you and produce at said time and place the following books, papers and documents:

General ledger, subsidiary ledgers, journal, cash book, books of account and financial statements of J. Edward Jones; general ledger, journal, cash book and books of account of J. Edward Jones relating to J. Edward Jones Royalty Trust, Series "M"; all contracts, agreements and correspondence of J. Edward Jones relating to the distribution of Participation Trust Certificates in J. Edward [fol. 135] Jones Royalty Trust, Series "M"; all correspondence and communications of J. Edward Jones with any State authority relating to the distribution of Participation Trust Certificates in J. Edward Jones Royalty Trust, Series "M".

Fail not at your peril.

In testimony whereof, the seal of the Securities and Exchange Commission is affixed hereto, and the undersigned, a member of said Securities and Exchange Commission, or

an officer designated by it, has hereunto set his hand at Washington, D. C. this 13th day of June, 1935.

Geo. C. Mathews, Commissioner.

Notice to Witness.—If claim is made for witness fee or mileage, this subpoena should accompany voucher.

EXHIBIT D ANNEXED TO PETITION FOR REVIEW

For Immediate Release, Friday, September 22, 1933

Federal Trade Commission, Washington

Securities Act of 1933

Release No. 47

The Federal Trade Commission announces adoption of a rule under the Securities Act conferring certain powers upon the person who is designated in each registration statement as authorized to receive all communications from the [fol. 136] Commission concerning the security issue filed for registration.

According to the new ruling, such person shall have power to amend the registration statement by altering to a subsequent date the date of the proposed offering of the securities registered; power to withdraw the registration statement or amendments thereto; and power to consent to entry of an order by the Commission prior to effective date of the registration refusing to permit the registration statement to become effective until it has been amended in accordance with the order.

A consent order entered by the Commission under this ruling is to be "Without prejudice to the right of the registrant thereafter to have such order vacated upon a showing to the Commission that the registration statement as amended is no longer incomplete or inaccurate * * *".

Accompanying the rule is an explanatory note covering the arbitrary delaying of the proposed date of offering of a security in instances where the registration statement is incomplete or inaccurate but "can be corrected with ease by an amendment". The purpose is to permit of a method whereby an extension of 20 days can be afforded a regis-

trant so as to allow him, without threat of stop order proceedings, time to make and file the necessary amendments. The procedure is designed with the idea of permitting the Commission not to make a record against a registrant who, the Commission has reason to believe, is ready to conform to the act. Under this procedure the Commission can afford him sufficient time to make his registration statement conform to the act, at the same time preventing him from selling securities until the necessary amendments shall have been made.

[fol. 137] Other rules adopted by the Commission pertain to (1) the withdrawal of a registration statement or an amendment thereto, (2) amendments filed pursuant to an order of the Commission, (3) a definition of "distribution" as used in Section 2 (11) of the act, and (4) the incorporation by reference of exhibits filed with previous registration statements. The purpose of the last named rule is merely to facilitate the second and subsequent registrations, and to avoid a filing of unnecessary exhibits with such registrations.

Full text of the new rules is as follows:

Amendments Filed Pursuant to an Order of the Commission

An amendment made prior to the effective date of the registration statement shall be deemed to have been made pursuant to an order of the Commission within the meaning of Section 8 (a) of the Securities Act so as to be treated as part of the registration statement only when the Commission shall after the filing of such amendment find that it has been filed pursuant to its order.

Withdrawal of Registration Statement or Amendment Thereto

Any registration statement or any amendment thereto may be withdrawn upon the request of the registrant if the Commission consents thereto. The fee paid upon the filing of such registration statement shall not be returned to the registrant. The papers comprising the registration statement or amendment thereto shall not be removed from the files of the Commission but shall be plainly marked with date of the giving of such consent and in the following man-

[fol. 138] ner: "Withdrawn upon the Request of the Registrant, the Commission consenting thereto." Such consent shall be given by the Commission with due regard to the public interest and the protection of investors.

Conferring of Powers of Amendment, Withdrawal and Entry of Consent Order

(1) All registrants shall hereafter confer upon the person designated in the registration statement as the person authorized to receive service and notice of all notices, orders, communications and other documents which may be issued by the Commission in connection with the registration statement,

(a) a power to amend the registration statement by altering to a subsequent date of the proposed offering of the securities for which the registration statement is filed; and

(b) a power to withdraw the registration statement or all amendments thereto, or an amendment made by virtue of the power conferred in paragraph (a) above; and

(c) a power to consent to the entry of an order issued under Section 8(b) of the Securities Act, waiving notice and hearing, such order being entered without prejudice to the right of the registrant thereafter to have such order vacated upon a showing to the Commission that the registration statement as amended is no longer incomplete or inaccurate on its face in any material respect.

[fol. 139] (2) The naming of a person in accordance with the forms promulgated by the Commission as a person authorized to receive service and notice of all notices, orders, communications and other documents which may be issued by the Commission in connection with the registration statement, shall be deemed also, unless there is an express statement to the contrary, as an authorization by the registrant of the person so named as having the powers specified in paragraph (1) of this rule.

Explanatory Note: The Commission upon finding that a registration statement is on its face incomplete or inaccurate or includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, but also finding that such incompleteness, inaccuracy, un-

truth or omission can be corrected with ease by an amendment, and recognizing that the case is not one that requires immediate steps to be taken to issue an order under Section 8(b) or 8(d) of the Securities Act, but recognizing that it is desirous that no securities for which such registration statement is filed should be legally sold until the necessary amendments shall have been made, may thereupon request the person referred to in the above rule to file an amendment prior to the effective date of the registration statement delaying the proposed date of the offering of the securities for which the registration statement is filed. Such amendment, which may under the above rule be filed by the person named in the above rule, if filed prior to the effective date of the registration statement, will under Section 8(a) [fol. 140] of the Securities Act automatically delay the effective date of the registration statement for twenty days after the filing of such amendment, until and unless some further action is taken by the Commission. The other necessary amendments properly executed may thereafter be forthcoming. Upon their filing the Commission can consent to such filing, with due regard to the public interest and the protection of investors, thereby making such amendments part of the registration statement. Such a procedure does not necessitate delaying the original effective date of the registration statement, if the amendments are duly executed and filed prior to such date. At most, it necessitates a delay in the date of offering the security for one day, and even this day may be eliminated by requesting the withdrawal of the amendment first filed. This procedure permits delaying the coming of an effective date when the registration statement unless amended is inaccurate or incomplete. At the same time it affords a registrant the opportunity to amend without having initiated against him proceedings looking forward to the issuance of an order under Section 8(b) or 8(d). Lack of cooperation on the part of a registrant by failing promptly to make the necessary amendment will require the Commission to initiate proceedings looking forward to the issuance of an order under Section 8(b) or 8(d).

A registrant may seek to avoid the making of such an amendment or the initiation of proceedings looking forward to the issuance of an order under Section 8(b) or 8(d) by requesting that his registration statement be withdrawn

or by requesting that an order of the type specified in paragraph 1(c) of the rule above be entered.

[fol. 141] Incorporation by Reference of Exhibits Filed With Previous Registration Statements

The issuer of a security for which a registration statement is in effect may, in filing a subsequent registration statement, incorporate by specific reference such exhibits or parts thereof, which may have been filed with any of its previous registration statements, as it may choose. If the inclusion of additional items would be necessary to make such a reference complete, the issuer will be deemed to have complied with the requirement if, along with the reference, it also files such additional items. If alterations have taken place in any document, a copy of which was filed as an exhibit with a previous registration statement, the copy so filed may be incorporated by reference, if the issuer files along with the reference a statement indicating all deletions, and containing the text of all substitutions and additions, and stating the date or dates on which such changes took effect. The Commission, however, may refuse to recognize any incorporation by reference in any case where in the opinion of the Commission such incorporation by reference is unclear or confusing.

Distribution Under Section 2 (11) Defined to Include Certain Activities

A person, the chief part of the business of which consists in the purchase of the securities of any one issuer, its subsidiary and/or affiliate and in the sale of its own securities to furnish the proceeds with which to acquire the securities of such issuer, subsidiary and/or affiliate, is to be regarded as engaged in the distribution of the securities of such issuer, subsidiary and/or affiliate within the meaning of Section 2 (11).

[fol. 142] EXHIBIT E ANNEXED TO PETITION FOR REVIEW

Subpœna

United States of America

Securities and Exchange Commission

To J. Edward Jones, 342 Madison Avenue, New York, N. Y.:

You are hereby required to appear before William Green, an Officer of the Securities and Exchange Commission, at Room 1102, Securities & Exchange Commission, 1778 Pennsylvania Avenue, in the City of Washington, D. C., on the 27th day of June, 1935, at ten o'clock a. m. of that day, to testify in the Matter of the hearing on the Registration Statement of J. Edward Jones.

Fail not at your peril.

In testimony whereof, the seal of the Securities and Exchange Commission is affixed hereto, and the undersigned, a member of said Securities and Exchange Commission, or an officer designated by it, has hereunto set his hand at Washington, D. C., this 18th day of June, 1935.

William Green, an Officer of the Securities & Exchange Commission.

Notice to Witness.—If claim is made for witness fee or mileage, this subpœna should accompany voucher.

[fol. 143] EXHIBIT F ANNEXED TO PETITION FOR REVIEW

BEFORE SECURITIES AND EXCHANGE COMMISSION

In the Matter of Registration Statement of J. EDWARD JONES

File No. 2-1408

Dismissal

Comes now J. Edward Jones in his own proper person and appearing specially and for the purpose of this Dismissal only and hereby dismisses his registration statement

heretofore filed with this Honorable Commission under the above indicated number and withdraws all application for consideration thereof or action thereon.

Dated at New York, N. Y., this 26th day of June, 1935.

J. Edward Jones.

UNITED STATES OF AMERICA,
State of New York,
County of New York, ss:

J. Edward Jones of lawful age, being duly sworn upon oath states that he is the above named J. Edward Jones and [fol. 144] that he executed the above dismissal for the uses and purposes therein set forth.

J. Edward Jones.

Subscribed and sworn to this 26th day of June, 1935.
Walter Laier, Notary Public. (Seal.)

EXHIBIT G ANNEXED TO PETITION FOR REVIEW

BEFORE SECURITIES AND EXCHANGE COMMISSION

In the Matter of Registration Statement of J. EDWARD JONES

File No. 2-1408

Motion to Dismiss

Comes now J. Edward Jones by Harry O. Glasser of Enid, Oklahoma, J. N. Saye of Longview, Texas and H. I. Fischbach of New York, N. Y., his counsel, appearing specially and for the purposes of this motion only and respectfully moves this Honorable Commission conformable with the application of the said J. Edward Jones heretofore made on June 18, 1935, that the Commission enter its order permitting the said J. Edward Jones to withdraw "Regis- [fol. 145] tration Statement J. Edward Jones Royalty Trust Series 'M' " numbered 2-1408 before said Commission and to thereupon enter an order of dismissal of such registration statement and application for the reason that said J. Edward Jones having voluntarily filed said registration

statement as privileged by law so to do, and having subsequently concluded that the same should be withdrawn before final action thereon, the said J. Edward Jones is likewise entitled, as a matter of law, to such privilege of withdrawal without other or further action thereon by the Commission upon the sole condition of payment of costs.

Wherefore the said J. Edward Jones respectfully prays that the order of this Commission be entered permitting the said J. Edward Jones to withdraw said registration statement hereinbefore more specifically identified, and that the further order of this Commission be entered dismissing at the cost of the said J. Edward Jones, said registration proceeding and all matters pertaining thereto, and for such other relief as may be proper in the premises.

J. Edward Jones, by Harry O. Glasser, J. N. Saye, H. I. Fischbach, Counsel.

UNITED STATES OF AMERICA,
State of New York,
County of New York, ss:

J. Edward Jones, of lawful age, being first duly sworn [fol. 146] upon oath states that he is the J. Edward Jones above named, has read the foregoing Motion, has authorized the filing and prosecution of the same, has personal knowledge of the matters therein set forth and the same are true as alleged to the best of the knowledge, information and belief of this affiant.

J. Edward Jones.

Subscribed and sworn to this 26th day of June, 1935.
Walter Laier, Notary Public. (Seal.)

EXHIBIT H ANNEXED TO PETITION FOR REVIEW

BEFORE SECURITIES AND EXCHANGE COMMISSION

In the Matter of Registration Statement of J. EDWARD JONES

File No. 2-1408

Motion to Quash

Comes now J. Edward Jones by Harry O. Glasser of Enid, Oklahoma, J. N. Saye of Longview, Texas and H. I.

Fischbach of New York, New York, his counsel, appearing specially and for the purposes of this motion only, and respectfully moves this Honorable Commission that it enter [fol. 147] its order quashing a purported subpoena for the above named J. Edward Jones, issued on the 18th day of June, 1935, directing and requiring the attendance of the said J. Edward Jones before said Commission on Thursday June 27, 1935, at the hour of 10:00 o'clock A. M., for the reasons,

(a) That the Commission does not have any proceeding pending in which such subpoena may legally be issued;

(b) That any rule or subdivision of any rule of said Commission which undertakes to retain jurisdiction in the Commission over any registration statement voluntarily filed with the Commission and subsequently withdrawn by the Registrant before final action thereon, is void in that such proposed retention of jurisdiction purports to be an exercise of legislative power not delegated by Congress, and if delegated in violation of the Federal Constitution.

Wherefore the said J. Edward Jones respectfully prays that the order of this Commission be entered quashing said purported subpoena, and releasing and exonerating the said J. Edward Jones from obligation thereunder and for all other and proper relief in the premises.

J. Edward Jones, by Harry O. Glasser, J. N. Saye, H. I. Fischbach, Counsel.

[fol. 148] UNITED STATES OF AMERICA,
State of New York,
County of New York, ss:

J. Edward Jones, of lawful age, being first duly sworn upon oath states that he is the above named J. Edward Jones, has read the foregoing motion, has authorized the filing and prosecution of the same, has personal knowledge of the matters therein alleged and set forth and that the same are true as alleged to the best of the knowledge, information and belief of this affiant.

J. Edward Jones.

Subscribed and sworn to this 26th day of June, 1935.
Walter Laier, Notary Public. (Seal.)

EXHIBIT I ANNEXED TO PETITION FOR REVIEW

BEFORE THE SECURITIES AND EXCHANGE COMMISSION

In the Matter of Registration Statement of J. EDWARD JONES

File No. 2-1408

Objection to Jurisdiction

Comes now J. Edward Jones by Harry O. Glasser of [fol. 149] Enid, Oklahoma, J. N. Saye, of Longview, Texas and H. I. Fischbach of New York, New York, his counsel, appearing specially and for the purpose of this objection only, and objects to the jurisdiction of the Securities and Exchange Commission to take any or further proceedings in the above entitled matter for the following reasons:

(a) that the so called Securities Act of 1933 as amended by Title II of Securities Exchange Act of 1934, known as Securities Exchange Act of 1934 is unconstitutional and is violative of and repugnant to the provisions of Amendments IV, V, IX, X and XIV to the Constitution of the United States,

(b) that the Securities Exchange Act is void as an attempted delegation of legislative power to the Commission, and as such plainly in violation of the IV and V and IX Amendments to the Constitution of the United States.

(c) that the Commission in the interpretation of its powers has sought to legislate in the matter of rules promulgated by the Commission to have the effect of Acts of Congress, which could not be so without first having been introduced as a bill in one of the Houses of Congress, then having passed both houses, be finally approved by the President of the United States or re-enacted over his veto,

(d) that national emergency, brought about by financial depression did not bestow upon Congress the power to enact the Securities Exchange Act or Amendments thereto,

(e) that J. Edward Jones and all others similarly situ- [fol. 150] ated and engaged in New York or elsewhere, in the sale of units of ownership in oil and/or gas royalties and/or "working interest" production in Oklahoma or elsewhere is not engaged in an activity that affects interstate

commerce, except incidentally and remotely, and such business therefore is not subject to regulation by the Federal Government,

(f) that the Securities Exchange Act is and amendments thereto are void because the same are an attempt by the National Government to usurp powers reserved to the respective States and the people thereof, by the Tenth Amendment to the Constitution of the United States,

(g) that the business of J. Edward Jones and others similarly situated in the sale in New York of units of ownership in oil production in Oklahoma, which may or may not find its way out of the State of Oklahoma, is an intra state business, wholly within the regulatory control of the State of New York, and the Federal Government is therefore without authority under the Commerce Clause of the Federal Constitution to control the transportation of such harmless commodities as may incidentally or remotely find their way into interstate or foreign commerce.

Wherefore the said J. Edward Jones respectfully prays that this objection to jurisdiction be sustained in its entirety and that the said J. Edward Jones and all others similarly situated may be relieved of the burdens of the Securities [fol. 151] Exchange Act of 1933, and all amendments thereto, and for all other relief that may be proper and just in the premises.

J. Edward Jones, by Harry O. Glasser, J. N. Saye, H. I. Fischbach, Counsel.

United States of America,
State of New York,
County of New York, ss:

J. Edward Jones, of lawful age, being first duly sworn upon oath states that he is the above named J. Edward Jones, that he has read the foregoing objection to jurisdiction, has authorized the filing and prosecution of the same, has personal knowledge of the matters therein set forth and that the same are true as alleged to the best of the knowledge, information and belief of this affiant.

J. Edward Jones.

Subscribed and sworn to this 26th day of June, 1935.
Walter Laier, Notary Public. (Seal.)

[fol. 152] IN UNITED STATES DISTRICT COURT, FOR THE SOUTHERN DISTRICT OF NEW YORK

No. M17/191

SECURITIES AND EXCHANGE COMMISSION, Applicant,

v.

J. EDWARD JONES, Respondent

ORDER APPEALED FROM

An application having been made by the Securities and Exchange Commission for an order compelling J. Edward Jones to appear and testify pursuant to a subpœna duly served upon him, and having duly come on to be heard at a stated term of this court held July 23, 1935, and the said J. Edward Jones having appeared and answered; now, upon the application of the Securities and Exchange Commission filed herein July 3, 1935, duly verified by John J. Burns, Esq., General Counsel, July 2, 1935, the order to show cause signed by the Honorable Henry W. Goddard, one of the Judges of the United States District Court for the Southern District of New York, dated July 3, 1935, and the proof of service thereof, and the answer of the respondent J. Edward Jones, duly verified July 6, 1935, and the exhibits annexed thereto, and after hearing John J. Burns, General Counsel of the Securities and Exchange Commission, in support of said application, and H. I. Fishbach, [fol. 153] Esq., Harry O. Glasser, Esq., and J. N. Saye, Esq., in opposition thereto, and due deliberation having been had,

On motion of John J. Burns, Esq., solicitor for the applicant, it is hereby

Ordered that the respondent, J. Edward Jones, appear before the Securities and Exchange Commission, or one of its examiners designated by it, September 9, 1935, at 10:30 in the forenoon of that day, at the offices of the Securities and Exchange Commission, Room 1103, at 1778 Pennsylvania Avenue, Washington, District of Columbia, there to testify in the matter of the registration statement of J. Edward Jones, and to give answer to any and all pertinent questions regarding the information and documents hereto-

fore filed by the respondent with the Commission upon the said registration statement.

Dated New York, N. Y., August 23, 1935.

Francis G. Caffey, United States District Judge.

[fol. 154] In United States District Court, Southern District of New York

M 17/191

Securities and Exchange Commission, Applicant,

against

J. Edwin Jones, Respondent.

John J. Burns, Esq., Attorney for Applicant; Francis Currie, Esq., and Francis S. Walker, Esq., of counsel.

H. I. Fischbach, Esq., Attorney for Respondent; Harry O. Glasser, Esq., and J. N. Saye, Esq., of counsel.

Opinion of the Court

The condition of the calendars in this district and the pressure of other business demanding attention prevent thorough discussion. Unavoidably comments must be hurried and in rather discursive form.

Two problems are presented. One relates to interpretation; the other to validity. I shall take up the interpretation phase first.

The petition is in conformity with the substantive provisions of the statute. Its sufficiency is not to be measured by the requirements of formal court pleadings. I see no merit in the motion to strike out parts.

The registration statement was filed May 4, 1935. More [fol. 155] than twenty days elapsed prior to counsel for the respondent interposing the procedural objections on which they now rely. No stop order has been issued by the Commission. In consequence, by force of Section 8 of the Securities Act the statement became and continues to be effective (unless terminated by the respondent's own acts, hereafter mentioned).

By the same token, if the registration statement be still effective, Section 8 empowered the Commission to take

testimony concerning it and the Commission, therefore, is entitled to have the respondent attend as a witness before it. The subpœna for the respondent was duly served. He refused to appear. It follows, under Section 22 (b), that this court may entertain the present application and is authorized to direct him to appear before the Commission (unless, indeed, this court's jurisdiction has been ousted by the review proceedings pending in a higher court).

Pursuant to Section 9 (a), the respondent has asked the Circuit Court of Appeals for the Second Circuit for a review of the Commission's order, in substance holding (as he says) that the registration statement remains alive before it. He urges that, on this account, the authority of this court under Section 22 (b) is suspended.

The respondent's contention would seem sound if only the ordinary rules of law relating to court proceedings governed and if Congress has not otherwise provided. The Circuit Court of Appeals itself plainly has authority to stay further proceedings by the Commission until after it disposes of the review proceedings; but, so far as appears,—and, as I understand, counsel agree it is the fact,—to date that court has not issued a stay nor has one even [fol. 156] been requested. In these circumstances, by force of Section 9 (b), the institution of the review proceedings in the appellate court does not operate as a stay of the Commission's order. Inasmuch as the Commission is free to go forward, it follows equally that there is no obstacle to this court's exercising the jurisdiction, vested in it by Section 22 (b), to require the witness to submit to examination by the Commission.

Section 5 unambiguously prohibits carriage of securities through the mails or in interstate commerce unless a registration statement as to such securities be in effect at the time (see also Section 17). There are numerous other provisions in the statute relating to registration statements (See, for example, Sections 6, 7, 9, 10 and 11; also Schedule A). It is not necessary, however, to set these out or even to deal with them in the instant case. This is so because, obviously, they are merely incidents to or provide mere mechanics for the administration of the Commission's functions arising out of Section 5. If Section 5 stands, they will stand also.

So also, as it seems to me, it is equally manifest that the participation trust certificates in producing oil royalties, covered by the respondent's registration statement (Form C-1), are securities within the definition of that term embodied in Section 2 of the Act,—precisely in the same way and to the same extent as are bonds and certificates of stock (Cf. New York, ex rel. Hatch v. Reardon, 204 U. S. 152). I think there is nothing at variance with this view in Hemphill v. Orloff, 277 U. S. 537, or in Champlin Rfg. Co. v. Commission, 286 U. S. 210, or in any other case cited by the respondent.

[fol. 157] This brings us to the issues raised as to validity.

As a preliminary, several things are to be borne in mind: (1) We are not concerned with the Securities Exchange Act of 1934,—save in a minor single aspect, which will be pointed out. (2) Disposition of the Commission's application to this court turns only upon the Securities Act of 1933; so that, with respect to constitutionality, that statute alone is now involved. (3) The court should confine its consideration to such portions of the statute as are essential to determination of the litigation now before it. (4) In so far as the language of the statute permits, it should be construed so as to bring the enactment within the powers of Congress and thus to avoid an adjudication of unconstitutionality. (5) Every doubt must be resolved in favor of constitutionality. (6) Section 26 provides that, even though some portions of the Act be held invalid, the remainder shall not be affected; and it is settled that such a declaration by Congress creates a presumption that the invalidity of any separable provision leaves the remaining provisions unaffected (Champlin Rfg. Co. v. Commission, 286 U. S. 210, 234-5).

Consistently with the six propositions just recited, for the purpose of passing on the principal assault made on the Securities Act of 1933, I see no occasion to determine more than whether Congress has power to provide for exclusion from the mails, or from interstate transportation, of physical securities when no registration statement concerning them is in effect. If I be right in this analysis of the situation, then it seems to me clear that so much of the statute as deals with the particular subject, embodied in [fol. 158] Section 5 and related sections, is valid.

In a long line of cases,—certainly from as early as Ex parte Jackson, 96 U. S. 727,—the Supreme Court has sustained many regulations of the mails more drastic than those contained in the Securities Act. It strikes me that Public Clearing House v. Coyne, 194 U. S. 497, amply supports the portion of Section 5 to which I have referred (See also U. S. ex rel. Milwaukee S. D. Pub. Co. v. Burleson, 255 U. S. 407).

The facts within general knowledge are entirely adequate to warrant the Congress in concluding (1) that exclusion from the mails of securities involving schemes to defraud is in the public interest; (2) that this object could only be accomplished by advance consideration; (3) that an appropriate means for examining into the fitness of securities for admission to mail privileges was the creation of an expert Government agency to conduct needed investigations; (4) that among the pertinent equipment for efficient operation of such an agency are registration statements, to be supplied by applicants for mail privileges, and subpoena power in the agency for use in getting evidence to enable it to reach proper decisions with respect to the statements (Constitution, Article I, Section 8, Clause 18; Legal Tender Cases, 12 Wall. 457, 533-4).

In like way, to the extent we are concerned at present, I think Congress had power to provide in Section 5, as it did, regulations for the transportation of securities in interstate commerce (McDermott v. Wisconsin, 228 U. S. 115, 128).

In Hammer v. Dagenhart, 247 U. S. 251, the goods dealt with were harmless. For that reason the case is disting- [fol. 159] uishable. The statute here, however, denies the facilities of interstate commerce only to articles which, after hearing, are duly ascertained to be fraudulent or, if not actually fraudulent, unfair to investors. They are harmful. Moreover, their nature, under conditions prevailing today, is such that no person distant from their place of origin ordinarily can find out for himself whether they are or are not worthless or vicious in character. The statute under consideration makes no attempt to interfere with their sale or other handling within the single State of their initiation. On the other hand, where offered to prospective purchasers far from there, I think there is no more ground for exempting them from regulation of their transportation

interstate, until such transportation is licensed by a Government agency, than there would be for letting foods and drugs circulate freely between the States without labels or without outlawing those which would injure the users.

Admittedly the line of demarcation between what Congress may and what it may not prohibit with regard to interstate commerce is difficult to state with accuracy. From the foundation of the Government the Supreme Court has struggled with the task. Nevertheless, on the decisions of our highest court,—which are assembled and discussed with discrimination in Brooks v. United States, 267 U. S. 432,—I feel no hesitancy in classing the Securities Act of 1933,—in so far at least as I must pass on it in the present case,—as well within the power of Congress to enact.

If Congress possess the power I have attributed to it, then it cannot be gainsaid that it may establish a Government agency, such as the Commission, as an appropriate [fol. 160] means for discovering and announcing what securities meet the standards prescribed.

The respondent next insists that the proceedings before the Commission with respect to the registration statement he filed with that body ended prior to commencement of the proceedings before this court to compel him to appear before the Commission. This contention is the second chief ground on which he resists the issuance of a subpoena under the order of this court.

In brief the position of the respondent is that the proceedings before the Commission lapsed by his telling it that he withdrew his statement, as well as by his motions (overruled by the Commission's examiner) to dismiss the proceedings and to quash the subpœna for him issued by the examiner. As both sides have conceded, this aspect of their dispute turns on the question of whether a particular rule of the Commission is valid.

In substance, the rule is that no registration statement may be withdrawn without the consent of the Commission. More specifically put, the rule says that any registration statement "may be withdrawn upon the request of the registrant if the Commission consents thereto" and that the Commission's consent "shall be given * * * with due regard to the public interest and the protection of investors."

As I construe the document referred to, it means no more than is now, and from remote times has been, embodied in court rules with respect to the discontinuance of law suits. A typical illustration of such a court rule is Equity Rule 2 of this court. In effect, that provides that a discontin-
[fol. 161] uance will be permitted only upon such terms as the court deems justice to require, including (if the court see fit) bar of a second suit on the same cause of action. Equity Rule 2 is valid (Young v. So. Pac. Co., 25 Fed. (2d) 630; In re J. R. Palmenberg Sons, 76 Fed. (2) 935.) That being true, I see no reason why a like rule by the Commission should not be valid.

I find nothing contra in Barrett v. Virginia Railway Co., 250 U. S. 473, or in Ex parte Skinner & Eddy Corp., 265 U. S. 87. The supposed analogy in court procedure, on which the respondent relies, seems to me, therefore, to fail or at least not to help him. If a court may refuse a discontinuance, except on terms, when justice so requires, I see no warrant for holding unjustified a rule by the Commission that it will retain and take testimony as to a registration statement voluntarily lodged with it until it is sufficiently informed to prescribe and has prescribed the terms which it deems demanded by "the public interest and the protection of investors" as a condition precedent to the registrant removing himself from its jurisdiction.

Moreover,—ignoring the court rule analogy,—I feel that a rule, having the meaning I have ascribed to the existing rule of the Commission about terms of withdrawal of a registration statement, is well within the power conferred on the Commission by Section 19 (a) of the statute to make "regulations governing registration statements." The power exercised in adopting the rule does not impress me as legislative (United States v. Grimaud, 220 U. S. 506; United States v. Janowitz, 257 U. S. 42, 45; Avent v. United States, 266 U. S. 127). I discover nothing inhar-
[fol. 162] monious with this view in Panama Refining Co. v. Ryan, 293 U. S. 388, or in Schechter Poultry Corp. v. United States, 294 U. S. —; 55 Sup. Ct. Rep. 837, or in any other case brought to my attention by the respondent's counsel. I think the cases they rely on are plainly distinguishable on their particular facts.

Even though, however, I be in error as to the statute sufficiently prescribing a guide for adoption by the Commission of the rule complained of, it seems to me incon-

trovertibly shown that Congress has itself affirmatively sanctioned the rule. As matter of fact, the rule was promulgated by the Federal Trade Commission during the period when it was charged with administration of the Securities Act of 1933. The Securities Exchange Act of 1934, which created the Securities and Exchange Commission and transferred to the latter administration of the Securities Act, expressly provided in Section 210 that the rules theretofore issued by the Federal Trade Commission under the Securities Act should "continue in effect until modified, superseded, revoked or repealed" (48 Stat. 908-9). So far from the Securities and Exchange Commission having at all changed the rule, it has been left precisely in the same form.

Inasmuch as I regard the rule as valid and the rule itself, to the extent heretofore pointed out, continues in being a filed registration statement until the Commission consents to its withdrawal, I see no escape from holding that the proceedings with respect to the respondent's registration statement are still pending before the Commission.

The respondent suggests, rather than argues, that the examiner who issued the subpœna for him was disqualified, because an attorney of the Commission. [fol. 163] Nothing on the face of the proceedings tends to establish disqualification, unless it be the bare fact that he is an employee of the Commission. As Congress has directed that body to perform a great mass of duties and has authorized it generally to appoint attorneys, as well as other agents, to assist in the discharge of those duties, and has definitely authorized officers of the Commission to take evidence and conduct hearings (Sections 19 (b) and 21), it seems to me manifest that it was within the province of the Commission to use one of its attorneys as an examiner to conduct a hearing for the taking of testimony. Again, even though the respondent be entitled when he appears to object to going on before the person then acting as examiner, that affords no ground for collateral attack on an application to the court for an order requiring him to appear.

The respondent also charges that the Commission intends to launch into a fishing expedition on his examination as a witness. At present, however, there is nothing to indicate, and I cannot anticipate, if he appear before the Commission, that it will misbehave. It will be ample

time for him to kick when he is spurred. For the moment, therefore, Federal Trade Commission v. American Tobacco Co., 264 U. S. 298, relied on by the respondent, is not pertinent.

Lastly, the respondent vigorously criticizes the policies of the statute. When engaged in the task of considering the validity of legislation, however, a court would trespass inexcusably outside its own domain if it gave weight to its own opinions, much more if it expressed itself, as to the [fol. 164] wisdom or unwisdom of the action of another branch of the Government. Accordingly, I refrain, as I feel obligated to refrain, from approval or disapproval of the Securities Act or the Securities Exchange Act.

Numerous additional matters have been discussed by counsel; but I do not think it necessary or even helpful to deal with them.

Motion of the respondent denied. Motion of the applicant granted. Settle order on two days' notice.

Dated August 12, 1935.

Francis G. Caffey, United States District Judge.

[fol. 165] In United States District Court, Southern District of New York

[Title omitted]

Pptition for and Allowance of Appeal

To the Honorable Francis G. Caffey, District Judge:

The above named respondent, J. Edward Jones, feeling himself aggrieved by the order and decree made and entered in this cause on the 23rd day of August, 1935, does hereby appeal from said order and decree to the Circuit Court of Appeals for the Second Circuit, for the reasons specified in the Assignment of Errors which is filed herewith, and he prays that his appeal be allowed and that citation issue, as provided by law, and that a transcript of the record, proceedings and papers upon which said order and decree was based, duly authenticated, may be sent to the United States Circuit Court of Appeals for the Second Circuit sitting at New York, and your petitioner further prays that a proper order be made enabling him to perfect

his appeal without the giving of security for costs or other-
[fol. 166] wise, pursuant to the provisions of Section 22-a of the Securities Act of 1933.

Dated New York, August 23, 1935.

Hyman I. Fischbach, New York, N. Y.; Harry O. Glasser, Enid, Oklahoma; J. N. Saye, Longview, Texas, Attorneys for Respondent.

The foregoing petition is granted and the appeal allowed.

Dated New York, August 23, 1935.

Francis G. Caffey, United States District Judge.

[fol. 167] IN UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK

[Title omitted]

ASSIGNMENT OF ERRORS

Now comes J. Edward Jones, respondent in the above entitled proceeding and in connection with his petition for appeal simultaneously filed herewith, assigns the following errors which he avers occurred herein and upon which he relies to reverse the order and decree entered herein:

1. The Court erred in ruling that there was any proceeding pending before the Securities and Exchange Commission to which an order to appear and testify could attach.

2. The Court erred in ruling that there was any proceeding pending before the Securities and Exchange Commission on the 18th day of June 1935 out of or in aid of which the Commission was empowered to issue a subpœna.

3. The Court erred in ruling that there was a proceeding pending before the Securities and Exchange Commission in aid of which it could entertain an application under the provisions of Section 22-b of the Securities Act of 1933 as amended.

[fol. 168] 4. The Court erred in ruling that the registration statement of J. Edward Jones had become effective on May 24, 1935.

5. The Court erred in ruling that the registration statement of the respondent now continues to be effective.

6. The Court erred in ruling that the withdrawal of said registration statement which occurred on June 18, 1935, did not terminate the proceedings then pending before the Securities and Exchange Commission.

7. The Court erred in ruling that the subpœna issued on the 18th day of June 1935 had any legal force or efficacy.

8. The Court erred in ruling that under the provisions of Section 8 of the Securities Act of 1933, as amended, the Securities and Exchange Commission was empowered to have the respondent attend before it as a witness.

9. The Court erred in ruling that under the provisions of Section 8 of the Securities Act of 1933, as amended, the Commission's powers in the premises extended beyond affording an opportunity for hearing.

10. The Court erred in refusing to rule that under the provisions of the Securities Act of 1933 as amended, it is entirely optional with a registrant to determine whether he should take advantage of the opportunity for hearing therein prescribed or, at his discretion, submit to a stop order without a hearing.

11. The Court erred in ruling that the sufficiency of the petition of the applicant should not be determined by the [fol. 169] same standards and requirements applicable to all other pleadings in the District Court.

12. The Court erred in ruling that it had jurisdiction to entertain the application under the provisions of Section 22-b of the Securities Act of 1933, as amended, in the face of the pending petition for review in the Circuit Court of Appeals of the Second Circuit.

13. The Court erred in ruling that it had jurisdiction to entertain the application lodged before it in view of the pendency in the Circuit Court of Appeals for the Second Circuit of a petition to review the identical questions.

14. The Court erred in ruling that the institution of proceedings in the Circuit Court of Appeals for the Second Circuit, pursuant to the provisions of Section 9-a of the Securi-

ties Act as amended, did not divest the District Court of jurisdiction to hear and determine the identical questions.

15. That in interpreting the questions raised concerning the validity and constitutionality of certain provisions of the Securities Act of 1933, the Court erred in ruling that such act should be construed so as to bring the enactment thereof within the powers of Congress.

16. The Court erred in ruling that all doubts as to the constitutionality of the Securities Act of 1933 as amended, by which act the civil and criminal liability of citizens was drastically enlarged, must be resolved in favor of constitutionality.

[fol. 170] 17. The Court erred in ruling that Congress, in the exercise of that power conferred upon it by Section 8, Clauses 3, 7 and 18 of the Constitution of the United States, had the authority to enact Section 5 of the Securities Act of 1933, as amended.

18. The Court erred in ruling that the enactment of the Securities Act of 1933 was a proper legislative function of Congress and a proper exercise of the powers granted it under the Constitution.

19. The Court erred in refusing to rule that the Securities and Exchange Commission had no legal existence and was not lawfully created.

20. The Court erred in refusing to rule that the process of the Securities and Exchange Commission was void and without legal efficacy.

21. The Court erred in refusing to rule that the Securities Act of 1933 as amended was unconstitutional and void by reason of being violative of and repugnant to provisions of the 4th, 5th, 9th, 10th and 14th amendments to the Constitution of the United States.

22. The Court erred in refusing to rule that the Securities Act of 1933 was void as an attempted delegation of legislative power to the Securities and Exchange Commission and therefore violative of and repugnant to the provisions of the 4th, 5th and 9th amendments to the Constitution of the United States.

23. The Court erred in refusing to rule that the Securities Act of 1933 as amended is unconstitutional and void by reason of such legislation being an attempt to usurp powers [fol. 171] reserved to the respective states and the people thereof by the 10th amendment to the Constitution of the United States.

24. The Court erred in refusing to rule that the activities of the respondent in the sale in New York and elsewhere of units of ownership in oil production in the State of Oklahoma are not subject to regulation by the Federal Government.

25. The Court erred in refusing to rule that the business of the respondent is not a business involving a public offering of securities in interstate commerce within the regulatory control of the Federal Government.

26. The Court erred in ruling that the Securities and Exchange Commission had power to enact, "release" or "rule" 47 and erred in failing to rule that such power, if vested in the Commission by the terms of the Act is void as a prohibited delegation of legislative powers.

27. The Court erred in ruling that Rule 47 was validly enacted.

28. The Court erred in ruling that the Securities and Exchange Commission had acted validly under the provisions of Rule 47.

29. The Court erred in ruling that the Securities and Exchange Commission had the authority under the provisions of Rule 47 to refuse the respondent the right to withdraw a registration statement previously filed by him.

30. The Court erred in failing to rule that Rule 47 had no force or legal effect by reason of it having been adopted [fol. 172] contrary to and in violation of the provisions of Section 19-a of the Securities Act of 1933 as amended.

31. The Court erred in refusing to rule that the action of the Securities and Exchange Commission under and pursuant to the provisions of Rule 47 in denying the respondent the right to withdraw a registration statement previously filed by him was arbitrary and void and violative of the plain language of said rule.

32. The Court erred in refusing to rule that the denial by said Securities and Exchange Commission of the respondent's right to withdraw the registration statement previously filed by him was void by reason of being discriminatory as well as arbitrary.

33. The Court erred in ruling that it was within the power of Congress to delegate to an administrative tribunal the power to enact regulations having the force of law and subjecting persons guilty of a violation of such regulations to penal fine, imprisonment and penal servitude.

34. The Court erred in ruling that the right of the respondent to withdraw the registration statement previously filed by him was not absolute in the absence of a showing on the record that the public interest and the protection of investors otherwise required.

35. The Court erred in refusing to rule that the proceedings of the Securities and Exchange Commission conducted by one of its attorneys did not deprive the respondent of due process of law.

36. The Court erred in refusing to rule that proceedings of the Securities and Exchange Commission conducted by [fol. 173] one of its attorneys were illegal and improper by reason thereof.

37. The Court erred in refusing to rule that the proceedings of the Securities and Exchange Commission subsequent to June 18, 1935, were illegal and improper by reason of the withdrawal of the registration statement on said date.

38. The Court erred in ruling that the Securities and Exchange Commission had jurisdiction over the subject matter of the business of the respondent.

39. The Court erred in refusing to rule that oil royalties and interests in oil and gas production are interests in realty and not securities.

40. The Court erred in ruling that oil royalties and interests in oil and gas production are securities subject to regulation by the Federal Government.

41. The Court erred in refusing to rule that the definition of the term "security", as including oil royalties or fractional undivided interests in oil, gas or other mineral rights

contained in Section 2, subdivision 1 of the Securities Act of 1933 as amended, is contrary to the positive law of oil-producing states and therefore beyond the power of Congress to so declare.

42. The Court erred in failing to rule that the Securities and Exchange Commission had an adequate statutory remedy at law by reason of being able in the state of the record before it to enter a stop order, the existence of which remedy precluded the intervention of equity.

[fol. 174] 43. The Court erred in refusing to rule that the course of conduct being pursued by the Securities and Exchange Commission in the cause at bar was contrary to the standards stated by Mr. Justice Holmes in

Federal Trade Commission vs. American Tobacco Co., 264 U. S. 298.

44. The Court erred in ruling that the objections of the respondent to the course of action being pursued by the Securities and Exchange Commission were premature.

45. The Court erred in granting the applicant's motion and in entering its order accordingly.

Wherefore, J. Edward Jones, plaintiff in error, prays that the order or decree of said Court be reversed, etc.

Hyman I. Fischbach, New York, N. Y.; Harry O. Glasser, Enid, Oklahoma; J. N. Saye, Longview, Texas, Attorneys for J. Edward Jones, Respondent Appellant.

[fol. 175] Citation, in usual form, omitted in printing.

[fol. 176] IN UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

[Title omitted]

STIPULATION AS TO EXHIBITS

It is hereby stipulated and agreed by and between the attorneys for the respective parties hereto that Exhibits A,

B; C and D annexed to the answer of J. Edward Jones, being identical with Exhibits F, G, H and I, in the Petition for Review, need not be reproduced as part of the Jones answer, but will appear in the Petition for Review printed in the record.

Dated New York, September 18, 1935.

John J. Burns, Attorney for Applicant-Appellee.

H. I. Fischbach, Attorney for Respondent-Appellant.

[fol. 177] IN UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK

[Title omitted]

STIPULATION AS TO RECORD

It is hereby stipulated and agreed, that the foregoing is a true transcript of the record of the said District Court in the above-entitled matter as agreed on by the parties.

Dated September 20th, 1935.

H. I. Fischbach, Attorney for Respondent-Appellant.

John J. Burns, Attorney for Applicant-Appellee.

On reading the foregoing consent of the proctors for the respective parties herein, it is ordered that the foregoing printed record be filed in lieu of the original papers for the purpose of certifying a record on appeal.

Dated September —, 1935.

Francis G. Caffey, U. S. D. J.

[fol. 178] Clerk's certificate to foregoing transcript omitted in printing.

[fol. 179] UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

J. EDWARD JONES, Petitioner,

against

SECURITIES AND EXCHANGE COMMISSION, Respondent

SECURITIES AND EXCHANGE COMMISSION, Applicant-Appellee,

against

J. EDWARD JONES, Respondent-Appellant

Before Manton, L. Hand and Swan, Circuit Judges

Petitioner, J. Edward Jones, files a petition to review an order of the Securities and Exchange Commission, pursuant to Sec. 9 (a) of the Securities Act (48 Stat. 80, 15 U. S. C. Sec. 776). Petition dismissed. Also an appeal from the United States District Court for the Southern District of New York in a suit brought by the Securities and Exchange Commission against J. Edward Jones, to direct his submission to examination pursuant to a subpœna issued and served upon him. Order granted; respondent appeals. Affirmed.

H. I. Fischbach, Esq., Harry O. Glasser, Esq., J. N. Saye, Esq., Attorneys for Appellant. John J. Burns, Esq., General Counsel, Securities and Ex-[fol. 180] change Commission, Attorney for and of Counsel with Respondent and Applicant-Appellee. Francis Currie, Esq., Charles R. Kaufman, Esq., Francis S. Walker, Esq., of Counsel.

MANTON, Circuit Judge.

Appellant filed a registration statement covering a forthcoming issue of participation trust certificates pursuant to Sec. 6 of the Securities Act of 1933 as amended (48 Stat. 74; 48 Stat. 905; 15 U. S. C. Sec. 77a) with the appellee. It was filed May 4, 1935 and on May 23, 1935 notice of a hearing on this statement was sent to the appellant by the Commission. On June 18th a hearing was had and appellant attempted to withdraw his registration statement

which was denied by the officer conducting the hearing for the Commission. This ruling was based on the regulation of the Commission providing:

"Any registration statement or any amendment thereof may be withdrawn upon the request of the registrant if the Commission consents thereto * * * which consent shall be given by the Commission with due regard to the public interest and the protection of investors."

(Release No. 47 of the Federal Trade Commission, Sept. 22, 1933.)

Appellant filed a petition to review the action of the Commission refusing permission of withdrawal of his registration statement. The appellee moves to dismiss the petition to review contending that it was prematurely brought since no order had been entered by the Commission within the meaning of Sec. 9 (a) of the Securities Act (48 Stat. 80; 15 U. S. C. 77i) and that therefore the court has no jurisdiction to entertain this petition. Section 9 (a) grants [fol. 181] any person aggrieved by an order of the Commission a review thereof in the Circuit Court of Appeals of the United States within any circuit wherein such person resides or has his place of business. Since no stay was granted by this court pursuant to Sec. 9 (b) of the Securities Act, the Commission, on July 3, 1935, filed a petition in the District Court for the Southern District of New York, pursuant to Sec. 22 (b) of the Act (48 Stat. 86; 15 U. S. C. Sec. 77v), for an order directing the appellant to appear and testify before an officer of the Commission pursuant to a subpœna which the Commission had previously served on the appellant and which he had failed to obey. The appellant appeared in opposition to this petition; a hearing was had and the court granted the order directing the appellant to appear and testify in the matter of the registration statement he had filed. The respondent therein named appealed to this court. The two causes have been consolidated.

The appellee moves to dismiss the petition to review urging that no order has been entered which the petitioner might review in this court. The orders of the Commission referred to are to be found in Secs. 8 (b), 8 (d) and 8 (e), all preceding Sec. 9, which provides for a review of the orders. Section 8 (b) authorized an order refusing to per-

mit a registration statement to become effective until it has been amended as required in the order. Sections 8 (d) and 8 (e) provide for the entry of a stop order suspending the effectiveness of the registration statement at any time. Notice of hearings and proceedings under these sections must be given and the Commission must make a final determination of fact before such orders may be entered. They would then become final orders of the Commission. The order sought here to be reviewed is not of either type. It [fol. 182] is an interlocutory ruling in the proceeding and hearing which was within the control of the Commission as a tribunal until some final determination was made. Interlocutory orders of a court are not receivable except where it has been provided by statutory authority. Illustrations of this is the jurisdiction of this court provided for by Sec. 128 of the Judicial Code (28 U. S. C. 225) which provides that the Circuit Court of Appeals may review only final decisions of the district court and certain enumerated interlocutory orders or decrees granting, refusing or modifying interlocutory injunctions and receiverships or involving extraordinary relief. Herrup v. Stoneham, 15 Fed. 2, 49 (C. C. A. 2); France & Canada S. S. Co. v. French Republic, 285 Fed. 290 (C. C. A. 2); Gas & Electric Securities Co. v. Manhattan & Queens Traction Corp., 266 Fed. 625, 632 (C. C. A. 2). These principles have been applied to interlocutory rulings of administrative tribunals. Chamber of Commerce of Minneapolis v. Fed. Trade Comm., 280 Fed. 45 (C. C. A. 8). We do not think that Congress intended by any provision of this act to permit reviews by the Circuit Courts of Appeals of interlocutory and procedural orders entered by the Securities and Exchange Commission.

The stop order hearings authorized by the Act are summary proceedings for the protection of investors against misrepresentation and omissions of a registration statement. We think it is when a final order is entered as a result of the hearings that the act intends the appellant might have a right of review of that determination. No order under Sec. 8 (b) was entered and the registration here became effective May 24th. It remained effective since no stop order was issued under Sec. 8 (d). Under such circumstances the denial of a motion to withdraw the registration reflected no injury upon the appellant. The

[fol. 183] motion to dismiss the petition to review is granted.

Appellant appeals from an order directing him to appear and testify before the Commission regarding his registration statement. It was entered pursuant to Sec. 22 (b).

The answer of the appellant sets up the invalidity of the statute on constitutional grounds and also denies jurisdiction of the Commission to make the application after his motion to dismiss. If he could withdraw his registration by mere request, it would end the effect of filing it and there is no authority under sec. 19 (b) to issue the Commission subpœna and it could not be enforced by order of the district court under Sec. 22 (b).

The appellant contends that the securities Act of 1933 as amended is unconstitutional because the securities are not subjects of commerce. But the power of Congress as it relates to control over the use of the mails, is fully sustained by the cases which have considered the mail fraud statutes. Badders v. United States, 240 U. S. 391; Public Clearing House v. Coyne, 194 U. S. 497; In re Rapier, 143 U. S. 110; Ex parte Jackson, 96 U. S. 727. It is not an unreasonable method of preventing the use of the mails to promote and consummate the sales of misrepresented securities, to require that all securities, before mails are used, must be registered. Lewis Publishing Co. v. Morgan (229 U. S. 288) upheld the exaction of certain information as a condition precedent to a newspaper's classification as second class matter. Congress clearly had the power to enact the provision excluding securities from the use of the mails unless a true statement describing them was filed in a public office in Washington. The postal power, like all other powers of Congress, is subject to the limitations imposed by the Bill of Rights (Milwaukee Pub. v. Burleson, 255 U. S. 407, 430; Burton v. United States, 202 U. S. 344, 371). But admitting such limitation, we think there was sufficient authority for the mail sections of the Securities Act. The claim that the registration requirements violated due process of law is without force. Registration of all securities whether good or bad, required by state blue sky laws have been upheld as no violation of the due process clause. Hall v. Geiger-Jones, 242 U. S. 539; Caldwell v. Sioux Falls Stock Yards Co., 42 U. S. 559; Merrick v. Halsey & Co., 242 U. S. 568. Similar registra-

tion required of securities within the jurisdiction by the Federal government would likewise be clear of the inhibitions of due process in the Fifth Amendment. If the act is constitutional so far as it forbids the use of the mails, that is sufficient for our present consideration. Section 26 of the Act contains a provision that the invalidity of one part shall not invalidate the rest.

Another constitutional objection advanced is that there was an unconstitutional delegation of power by Congress in leaving the determination of rules to the Commission. Schechter Poultry Corp. v. United States (295 U. S. 495) and Panama Refining Co. v. Ryan (293 U. S. 388) did not decide that any delegation of authority to control details of administration was void. They expressly recognized that details of a subordinate nature may be supplied by administrative regulations. The delegation of authority to the commission was merely power to supply these necessary flexible details. Since the powers delegated are of this character, they appear to be within the ruling deciding that similar delegation to the Federal Trade Commission was not unlawful. Avent v. United States, 266 U. S. 127; Interstate Commerce Comm. v. Goodrich Transit Co., 224 U. S. 194. The power to make rules regulating registration is very different from that in the case of the Panama [fol. 185] Refining Co. case, supra, where there was "no criterion to govern the President's course", and from that in the Schecter case, supra, where the delegation was similar. In both these cases, the executive received the power to affect fundamental provisions of the law. This is entirely different from the power which was set up by an administrative mechanism. Further, those cases seem to have held that there was no necessity for the broad delegation of power. Such cannot be said of the Securities Act. See: 1935, 48 Harvard Law Review, 798. We think that Sec. 19 (a) of the Act (48 Stat. 85, 15 U. S. C. 77s) is constitutional.

The action of the Commission in refusing to allow the withdrawal was proper. Section 19 (a) of the statute authorized the Commission to make such rules and regulations as shall be necessary to carry out the provisions of the title. It would seem necessary to the prevention of the use of the facilities of the mail in the promotion of securities about which no responsible information is on file,

to deny a desired withdrawal. The commission properly argues that an unlimited privilege of withdrawal would have the effect of allowing registrants whose statements are defective, to withdraw before a stop order was issued and then to submit another statement with slight changes. This would present a real administrative difficulty and for this reason the Commission's Release 47 seems within the authority granted by Section 19 (a). Moreover, the right of the appellant to withdraw his registration may properly be conditioned by the Commission in view of the public interest. In re J. R. Palmenberg Sons, 76 Fed. 2, 935, (C. C. A. 2); Young v. So. Pac., 25 Fed. 2, 630 (C. C. A. 2); American Zylonite Co. v. Celluloid Mfg. Co., 32 Fed. 809.

The Commission's authority to subpœna the appellant [fol. 186] and compel him to testify seems clear. Appellant advanced the unconstitutionality of the Securities Act and thus a ruling on this is necessary, even though the Commission's denial of the petition to withdraw is not reviewable by us. The appellee's right to the power to subpœna witnesses for examination is based upon Sections 8 (d), 8 (e) and 19 (b). Appellant argues there is an operative distinction between "investigation" as used in Section 19 (b) and "examination" as it is referred to in Sec. 8 (d) and 8 (e) and contends that Sec. 8 (d) and Sec. 8 (e) do not authorize the compulsion of witnesses to attend an examination with any greater sanction than the issuance of a stop order. The distinction between "examination" and "investigation" is not as potent as argued by appellant. Section 22 (b) of the Act authorizing a district court to order the appearance of a contumacious witness, speaks of "examiners" designated by the Commission. If the appellant's contention was sound, those conducting "investigations" would be "examiners" and those conducting "examination" within Sec. 8 (d) and Sec. 8 (e) would not be "examiners". Moreover, the power granted by Sec. 19 (b) is for an investigation "necessary and proper" for the enforcement of the act. A proceeding under Sec. 8 (d) is such an investigation. It is a violation of the act for a registrant to include in a registration statement filed with the Commission, an untrue statement of a material fact or an omission of a material fact which should be stated. If

such conduct is wilful it is a criminal offense under Sec. 24. The obvious investigation for the purpose of detecting these violations is the hearing provided for in Sec. 8 (d).

The contention that the appellee's only sanction to compel attendance at the hearings is the issuance of a stop order is erroneous. The appellee is authorized to issue [fol. 187] the stop order if the issuer, or underwriter, refused to cooperate. If this were the limit of the Commissioner's authority, an underwriter could force a stop order which would injure the innocent issuer and there would be no compulsory power over third persons at all since the stop order is authorized only if the issuer or underwriter prove unwilling to cooperate. Yet the appellee is empowered to examine the issuer, underwriter or any other person. A proper conduct of a hearing under Sections 8 (d) and 8 (e), which determines the rights of the parties, requires that the administrative body conducting the hearing, have complete power to compel production of any evidence necessary to the final determination. Only a stop order could have ended the effectiveness of the registration here and the hearing to determine whether to issue one was authorized and the issuance of a subpœna was lawful.

The court below properly directed the appellant's attendance as a witness.

Order affirmed.

Filed No. 4, 1935.

[fol. 188] UNITED STATES CIRCUIT COURT OF APPEALS, SECOND CIRCUIT

At a Stated Term of the United States Circuit Court of Appeals, in and for the Second Circuit, held at the Court Rooms in the Post Office Building in the City of New York, on the 12th day of November, one thousand nine hundred and thirty-five.

Present: Hon. Martin T. Manton, Hon. Learned Hand, Hon. Thomas W. Swan, Circuit Judges.

SECURITIES AND EXCHANGE COMMISSION, Applicant-Appellee,

vs.

J. EDWARD JONES, Respondent-Appellant

Appeal from the District Court of the United States for the Southern District of New York

This cause came on to be heard on the transcript of record from the District Court of the United States for the Southern District of New York, and was argued by counsel.

On consideration whereof, it is now hereby ordered, adjudged, and decreed that the order of said District Court be and it hereby is affirmed.

It is further ordered that a Mandate issue to the said District Court in accordance with this decree.

Wm. Parkin, Clerk.

[fols. 189-198] Endorsed: United States Circuit Court of Appeals, Second Circuit. Securities and Exchange Commission vs. J. Edward Jones. Order for Mandate. United States Circuit Court of Appeals, Second Circuit. Filed Nov. 12, 1935. William Parkin, Clerk.

[fol. 199] UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

J. EDWARD JONES, Petitioner,

against

SECURITIES AND EXCHANGE COMMISSION, Respondent

SECURITIES AND EXCHANGE COMMISSION, Applicant-Appellee,

against

J. EDWARD JONES, Respondent-Appellant

Before Manton, L. Hand and Swan, Circuit Judges

H. I. Fischbach, Esq., Harry O. Glasser, Esq., J. N. Saye, Esq., Attorneys and Solicitors for Petitioner-Appellant.

Per CURIAM:

Petition for rehearing denied.

——— ———, Circuit Judges.

Filed Nov. 21, 1935.

[fol. 200] UNITED STATES CIRCUIT COURT OF APPEALS, SECOND CIRCUIT

At a Stated Term of the United States Circuit Court of Appeals, in and for the Second Circuit, held at the Court Rooms in the Post Office Building in the City of New York, on the 21st day of November, one thousand nine hundred and thirty-five.

Present: Hon. Martin T. Manton, Hon. Learned Hand, Hon. Thomas W. Swan, Circuit Judges.

J. EDWARD JONES, Petitioner,

vs.

SECURITIES AND EXCHANGE COMMISSION, Respondent

SECURITIES AND EXCHANGE COMMISSION, Applicant-Appellee,

vs.

J. EDWARD JONES, Respondent-Appellant

A petition for a rehearing having been filed herein by counsel for J. Edward Jones,

Upon consideration thereof it is

Ordered that said petition be and hereby is denied.

Wm. Parkin, Clerk.

[fol. 201] Endorsed: United States Circuit Court of Appeals, Second Circuit. J. Edward Jones vs. Securities and Exchange Commission (and another case). Order. United States Circuit Court of Appeals, Second Circuit. Filed Nov. 21, 1935. William Parkin, Clerk.

[fol. 202] UNITED STATES OF AMERICA,
Southern District of New York:

I, William Parkin, Clerk of the United States Circuit Court of Appeals for the Second Circuit, do hereby certify that the foregoing pages, numbered from 1 to 201, inclusive, contain a true and complete transcript of the record and proceedings had in said Court, in the case of Securities and Exchange Commission, Applicant-Appellee, against

J. Edward Jones, Respondent-Appellant, as the same remain of record and on file in my office.

In testimony whereof, I have caused the seal of the said Court to be hereunto affixed, at the City of New York, in the Southern District of New York, in the Second Circuit, this 29th day of November, in the year of our Lord one thousand nine hundred and thirty-five, and of the Independence of the said United States the one hundred and sixtieth.

Wm. Parkin, Clerk. (Seal, United States Circuit Court of Appeals, Second Circuit.)

[fol. 203] SUPREME COURT OF THE UUITED STATES.

ORDER ALLOWING CERTIORARI—Filed February 3, 1936.

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the Second Circuit is granted. And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

Endorsed on cover: File No. 40,194. U. S. Circuit Court of Appeals, Second Circuit. Term No. 640. J. Edward Jones, Petitioner, vs. Securities and Exchange Commission. Petition for writs of certiorari and exhibits thereto. Filed December 17, 1935. Term No. 640, O.T., 1935.